The

Management Review

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Books of the Month

DECEMBER, 1953

Among the Features

This Issue Includes Index to Volume XLII

AMERICAN MANAGEMENT ASSOCIATION

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Volume XLII No. 12

DECEMBER, 1953

A Partial List of
Contents

The Management Review

General Management

HOW TO AVOID A PSYCHO-RECESSION

DURING the recent years of wars and tensions the deepest yearning of the American people has been for peace. Through the same period the American business community has longed to be able to operate in a free economy. All eyes have been watching for the brighter day that the realization of these aspirations would bring. But what is happening? We have finally got what we wanted all these years, only to hear many good Americans —the butcher, the banker, the economist, the worker—talking balefully about a recession.

The statements of these prophets of adversity are strongly reminiscent of the things we were hearing in the period from 1943 to the end of World War II, when the economists were freely predicting a depression that would make the early Thirties look like an ice cream social. But, fortunately, there were too many Americans who refused to accept the inevitability of that bleak prospect. Wars and depressions, they said, are not of divine origin; they are the result of things men think, say and do, or fail to think, say and do constructively.

One of the non-convinced was Secretary of Commerce Jesse Jones, who called together a group of men to take a hard look at the facts and decide what the future prospects and possibilities really were. The group concluded there must be a goal of 5 million jobs and a $140 billion economy immediately after the war—one-third higher than ever in peace-time before. Moreover, their searching survey of the facts convinced them that that goal could be achieved rapidly. As events proved, it was, and 1946 found the country with virtually no unemployment.

We need to take a hard look at the facts again today. When we do, here are some vital arguments we find on the side of confidence:

1. The average income of the American wage-earner is at its highest peak. Pay is up one-third above what it was just before the Korean war.
2. Employment is at an all-time high of 63 millions.
3. Americans have been saving more, even while spending more. Individuals have been saving 8 per cent of their after-tax incomes since 1950, compared with 5 per cent in 1940.
4. While some bankers are talking excessive caution in loans and credit, most are doing business with an air of fully reasoned confidence in the future of the economy. Many say they are now simply taking care to avoid "shaky loans," which is nothing more than sound business practice at any time.
5. Scheduled tax reductions will leave individuals and corporations higher net incomes to spend in 1954.
6. There has been an enormous increase in the so-called "props and supports" under the economy—such as unemployment compensation, pensions, and the farm price program. These help guard against demoralizing spirals in the economy.
7. U. S. productivity is at a tremendous level. Our total output, including that of farms, is roughly equal to the combined output of all the rest of the peoples of the world.
8. Our industrial horizons are still expanding. New industries such as tele-

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vision, home air conditioning, and the many fields of plastics and chemicals, are growing into giants.

9. At the same time our so-called basic industries are continuing to maintain strong foundations under the economy.
10. Our government is expected to spend 70 billion dollars in the coming year.
11. There is a great backlog of necessary public works to which the local, state and federal governments will have to apply themselves in the near future.
12. There are no longer the speculative excesses that have preceded the depressions of the past.
13. Our population is continuing to leap upward. From our present 160 million Americans we will grow to some 220 millions by 1975, discounting war. That is an increase of 60 million consumers over a period of just 22 years!
14. There are a number of "guarantee" factors, such as mortgage stabilization and secured bank deposits, which make recurrence of some past evils unlikely if not impossible.

Arrayed against these positive facts are others with which we need to concern ourselves in recognizing that our outlook is not all "peaches and cream." For example, personal borrowing is high—$27 billion is outstanding in consumer credit. Sales *have* softened in many lines. Some inventories *are* getting too big for comfort. And, more serious than these, the psychology of fear is abroad.

There is reason to believe psychological factors can cause a recession. If people quit buying, and business quits growing, and bankers quit lending because of fear of trouble ahead, a downward spiral can result, despite all the economic resisters against it. The ironic fact is that we can talk ourselves into a recession but we cannot talk ourselves out of one.

Now, what can we do about these factors, pro and con, to assure ourselves that our economy will remain prosperous? Broadly, we can think, say and do the right things to make best use of the positive values and overcome the problems.

An important fact we should recognize is that we are making a major transition from a sellers' to a buyers' market. If it appears to be difficult to make, it is primarily because we are loath to face up to certain facts.

The first is that this transition has to be made quickly with a great deal of boldness, some risk, and hard work, so there will not be a long period of doubt and uncertainty during which the fear psychology can take hold.

The second is the hard fact that there is absolutely nothing wrong with our economy that a higher volume of hard-hitting advertising and sales promotion by business, and 100,000 good creative salesmen, could not cure.

Third, let us appreciate the fact that we do not have to judge our economy on the criterion of a constantly rising curve. It is bound to strike some plateaus—and encounter some dips and undulations. The important thing is to be sure that there are no more staggering plunges and that the general trend is upward through the years.

And, lastly, we must remain always aware of the fact that we have to maintain a sound and prosperous economy as a basic means of survival as a free people. That in itself should be our greatest spur.

The past decade has been a fateful one for America, but the next ten years will be this nation's time of epic decision. What the American people think, say and do will largely determine not only our own destiny but the course the whole world must take.

—PAUL G. HOFFMAN. *The New York Times Magazine*, November 15, 1953, p. 9:5.

SHOULD YOUR COMPANY RELOCATE?

THE GRASS on the other side of the fence looks exceedingly green to many a manufacturer as he watches the ascending curve on the cost chart and mails another check to the tax collector. Why not, he asks himself, move to a more advantageous location?

Perhaps the executive has seen figures indicating that labor is cheaper elsewhere—in the South, for example. Climatic conditions there are supposed to permit simpler and less expensive construction. Then there is the element of taxes, both state and local, which supposedly favor industry there. Power costs may be cheaper, too. Sometimes raw materials are more readily available. And frequently a municipal development corporation will float tax-free issues to finance the cost of facilities needed. In other words, it looks as though a move would soon be paid for and profit margins increased.

But almost every executive faced with the question of moving requires more than generalities like the above. He needs to know what relocation would mean to his company in terms of actual dollar profits. Executives who go to the expense, often more substantial than they realize, of uprooting and of transplanting existing organizations without fully appraising future conditions may be in for a rude awakening.

While there are many areas, in the South and elsewhere, where labor costs are still comparatively low, the number of such localities is decreasing. Moreover, even where labor costs are low now, it is always possible that the advantage may be lost by the time a new plant is built or an old one bought and remodeled. Nor do southern locations always have lower income and property taxes.

Labor costs and taxes are by no means the whole story. There are also the costs of building the new facilities, of moving people and machines, of obtaining auxiliary services, and many others. Some of these costs are anticipated easily enough—for example, the cost of moving and installing equipment. But moving or "installing" personnel presents much more complex problems.

During a relocation move, moreover, customer service frequently suffers. The cost of poor service is difficult to measure—but in normal times it may be translated into lost sales, either present or future.

The soundness and vigor of an industrial organization are largely determined by the caliber of its management. Replenishing the reservoir of competent executives can be made doubly difficult by a decision to relocate operations in a community which lacks adequate access to educational, cultural, professional, and recreational facilities. Managements that overlook the social factors in their enthusiasm for the economic may find it difficult to retain key personnel after relocation. The cost of breaking up one executive team and building another may well need to be taken into account in weighing the advantages of moving.

Clearly, before casting the die on a plant relocation program, management should carefully appraise not only present but prospective cost differentials between the existing and proposed locations. Next, it should carefully measure the total cost of relocating, including personnel and equipment. Finally, comparing the projected cost relationships of the old and new sites with the expense involved in relocation, management can determine

whether the expected profit increase is sufficient to justify the proposed move.

As an aid in reaching a decision, management may find it helpful to ask itself such questions as these:

1. Will the proposed location provide an adequate labor supply five years hence?

2. Will existing labor-rate differentials between the present and the proposed locations narrow or disappear within the next five years?

3. Will the proposed location provide adequate housing and medical facilities? If not, what outlays will confront the company in making such facilities available?

4. Will auxiliary services be readily accessible at the proposed location? If not, what costs will the company incur because of delay in repairs, infrequent shipments, inadequate training, and so forth? Or, what costs will the company be forced to incur to avoid these disadvantages?

5. Will the company be sufficiently close to facilities required for product research and development activities?

6. Will moving to the proposed location require relocation of top management? If so, will the problem arise of senior executives' refusing to move and exercising sufficient authority to force retention of present head-office facilities?

7. Will the proposed location adversely influence the company's ability to attract qualified executives, including those below the top-management level?

8. Will the company become such a predominant influence in the proposed location that regard for the social well-being of the community will induce management to modify actions dictated by purely business considerations?

9. Will the proposed location increase the investment required in raw materials or finished goods because of longer in-transit time or a possible need for duplicate warehouse facilities?

10. Finally, can the costs of relocating personnel and equipment be recovered within a reasonable period of time after considering the probable cost differentials applying in the future?

—JOHN O. TOMB. *Harvard Business Review*, Vol. 31, No. 5, p. 83:8.

Business Failures Remain Low

WHEN THE FINAL FIGURES are in, the number of business failures this year will be smaller than in 1949 and 1950, and only slightly greater than in 1951 and 1952.

So far, failures have been averaging about 700 a month. The total for 1953 will probably be about 8,500, compared with last year's 7,600. Just before World War II the total reached more than 12,000 annually, on the basis of reports which were considerably less complete than those we have today.

It should be remembered that more than 4 million business firms are now operating in the United States. Failures with loss to creditors are only about one-fifth of 1 per cent of this total each year. About 30,000 firms go out of business each month for various reasons, but outright failures with loss to creditors will account for less than 3 per cent of the firms which close down this year.

—*Nation's Business* 11/53

PUBLIC RELATIONS BEGINS AT HOME!

WITH THE exception of a Thoreau, who hid away and wrote *Walden*, or less inspired eccentrics who simply hide away, there is scarcely anyone in this country who does not have relations with the public. Whether one be a housewife or hod carrier, a business man or a bus driver, one meets some segment of the public every day.

It is not for us to decide, therefore, whether we are to have public relations. Like it or not, we have it the moment we step out of our home. The question is whether we have good or bad public relations. And that question is answered by the way we conduct ourselves toward those we meet.

We all want to be liked and respected, but we are far from perfect. The man who leads the Bible class on Sunday may give his associates hell during the week. The man who spins a good yarn among convivial companions may be the silent, unapproachable type in the office. Some precious quality is often left behind when a man sets out for his place of business. It is much missed by those who must work with him half of their waking day.

Just as a person's own public relations begins at home, a company's public relations begins with its employees. The attitudes and opinions they form, based on what they see and hear, shape public opinion. If they have a sense of participating in the firm's progress, if they have a feeling of belonging, they will speak well of their company out in the neighborhood where they live. If, on the other hand, they do not know where they stand and they do not think their work is important, they will soon let it be known to the butcher, the baker and the candlestick maker.

Human nature being what it is, they are likely to carry home a grievance and then beat it to a pulp in hectic talk over the back fences. The grievance may take the form of a fancied insult. Or it can stem from a feeling of being left out of things. Or it can be traced to uncertainty and rumor. Generally, the infection is caused by lack of adequate communication. Often it can be cleared up simply by remembering what people want out of work and seeking to supply it.

William Line, professor of psychology at the University of Toronto, once made this sage statement:

> What do men enjoy doing? They enjoy learning. Let's be ruthless in cutting out monotony. They enjoy creative participant endeavor, working together. Let's get after all those things that make for isolation and hostility. They enjoy the feeling of increased understanding and personal usefulness. Let's attack all those things that contribute to ignorance or to mere authoritarian power. They want to feel that what they do has social meaning. Let's interpret the value of their work to them, and to the wider community with which they identify themselves.

Such a philosophy gets to the heart of public relations, for it deals directly with human feelings rather than outward appearances. It does little good to buy display space in newsstand publications to present a sparkling picture of the company's human relations if there has been a succession of strikes. And it will do no good to issue a four-color annual report to the effect that all's well with the company if employees tell another story to their friends.

How, then, can a manager win the respect of his workers and thus improve his company's public relations? It seems to me that he should carry out to the best of his ability a six-point program:

(1) Understand fully the company's policies and practices; (2) give honest support to the principles by which it lives; (3) maintain continuous contact with policy-making levels; (4) communicate principle, policy and practice to all employees with whom he comes in contact; (5) delegate authority; and (6) constantly encourage communication from employees.

In communicating with employees, incidentally, we should constantly keep in mind that most people tend to think in terms of stereotypes. In the course of a two-year study, A. A. Imberman, Chicago public relations counselor, interviewed about 22,000 working men and women in 31 states. "Most of them," he concluded, "tend to see people and situations in rather stereotyped fashion—e.g., a *bossy* foreman, a *henpecked* clerk, a *suave* banker, *a muscular* truck driver, a *loving* mother, an *impractical* professor. A limp handshake means a weak character, a square jaw means a strong character, blond men are sissies, women who don't wear stockings on the street are apt to be immoral, foreigners or people with a foreign accent are not to be trusted.

"The average man in this group expects people to respond to actions in terms of cultural stereotypes just as they do in the movies."

And so we must break down these stereotypes. We need to invest our supervision with the qualities of human beings and to encourage them to show more of these qualities to the people around them. Similarly, we need to discover what stereotypes enter into employees' thinking about the company and then set about dispelling them through a really effective communications program.

Nothing can ever take the place of the spoken word, the personal contact, the friendly meeting. We cannot win employee loyalty and support simply by telling them by remote control what to do.

Clarence Francis, so long identified with General Foods, summed up the whole problem of building good employee "public relations" when he said: "You can buy a man's time, you can buy a man's physical presence at a given place; you can even buy a measured number of skilled muscular motions per hour or day. But you cannot buy enthusiasm, you cannot buy initiative, you cannot buy loyalty, you cannot buy the devotion of hearts, minds and souls. You have to earn these things."

—From an address by Merrick Jackson before the Westchester Chapter of the National Office Management Association.

WHISTLING IN THE ECONOMIC DARK

At luncheon meetings, trade conventions, and wherever else business men congregate, a lot of spine-straightening speeches are being made these days. The trouble, it seems, is that some people have been worrying about a business recession and doing so out loud, and this, in turn, is worrying a lot of other people. These latter declare that the economy is really in fine shape but the "pessimists" may talk the country into a slump. It is not entirely clear, however, just who is reassuring whom.

Actually, there is little real cause for fear and trembling. Unemployment *is* at a record low; production *is* high; business *is* prosperous. Never have stable prices and a high level of economic activity coincided so remarkably to endow consumers with real prosperity. The readjustments that are taking place in various sectors of the economy are no great cause for alarm. As Republic Steel's Charles M. White reminded a group of security analysts, "We have been operating so long at 100 per cent of capacity that certain people in Wall Street and elsewhere get alarmed when operations drop to 90 per cent of capacity." It is worth remembering that, even operating below capacity, the steel industry will turn out seven million more tons of steel this year than ever before. If 100 million tons of steel, five million automobiles, and a million houses are produced next year, this may constitute a recession—but it will be an exceedingly prosperous one.

The point, however, is that a mild business downturn is under way, and that ignoring it and urging others to do likewise is not going to alter the fact. It may be, as DuPont's Crawford Greenewalt has said, that "those who predict in public take a great responsibility," but those who consciously refrain from reporting storm signals assume a considerable responsibility too. Worrying in public has its perils, to be sure, and it may, under certain circumstances, adversely influence consumer psychology. But refusing to face economic facts or to contemplate unpleasant eventualities can have even graver consequences for the individual corporation and for the economy as a whole. If by anticipating economic trends business men can avoid excessive inventory accumulation and other actions that tend to promote economic imbalances, any subsequent adjustments they may have to make are likely to be less violent.

It can be argued plausibly that a brief, moderate readjustment is exactly what the economy needs in the months ahead. The economy has been racing along without pause for more than four years, during which both its capacity and output have grown enormously. Demand has been chasing supply more or less indiscriminately. Thus the economy has become a little unbalanced. Many manufacturers are either making more than people want or charging more than people want to pay, or both; many others could make and sell more than they are. The time has come to balance up the economy —to improve products, cut costs, reduce prices, and sell hard. Let business pursue such a "readjustment" with vigor and determination, and the chances are overwhelming that the downturn will again be so brief and slight as to be hardly noticeable.

But there are those who say that we cannot take a chance, that a readjustment —particularly if talked about—may degenerate into a depression with calamitous

implications for the entire free world. The government, according to this view, should abandon its attempts to balance the budget and its preoccupation with stabilization of the dollar.

Budgetary balance is not an immutable goal, to be sure, nor would its attainment necessarily insure a stable dollar. But both are *desirable* objectives, and it is too early to give up the attempt to reach them. This is not to say that the government should or would stand by and allow a major recession to develop. But the U. S. economy is a pretty hardy organism. It would be unfortunate if it were now to be coddled like a delicate child, sheltered from every draft and shut up in a warm room. Under these circumstances it would soon lose its vitality. To propose drastic governmental nostrums at a time when employment, savings, incomes, corporate profits, and production are all at near-record levels is, at the very least, premature. Indirect federal measures like those taken by the Federal Reserve Board to ease the money supply seem more appropriate to the current situation. Business men should be able to do the rest. As Benjamin F. Fairless has said, "The market is there, and the money is there, and all in the world we have to do is go out and get it."

—*Fortune*, November, 1953, p. 111:2.

World Population Trends—A Brighter Outlook

A LARGE PART of the human race already has passed through its period of most rapid increase and—Malthus and other gloomy theorists to the contrary—within another century and a half world population is likely to be increasing at a lower rate than now and will be relatively stabilized at a level the earth can well support. This is one of the major conclusions of a comprehensive study just published by the Twentieth Century Fund.*

Looking forward to the end of the present century, the authors believe that, as in the past, the future growth of world population will be associated not with the growth of poverty but with a steady improvement in living conditions. They estimate that world population, which stood at approximately 2,400 million in 1950, will increase by 850 million after 1950 and will "reach approximately 3,250 million by the year 2000."

The United States has a birth rate somewhere in the middle range of world birth rates, the study discloses. Births per 1,000 of population in the United States in 1950 stood at 23.4, which exceeded those of Italy, Western Germany, and the United Kingdom (19.6, 16.2, and 16.1, respectively) but lower than India (26.7 in 1949), Yugoslavia (30.2 in 1948) and China (an estimated 40.7 in 1943). The authors say: "The USSR is the only European nation that reported a birth rate above 35 per 1,000 before the war, but the accuracy of these statistics is questionable."

* *World Population and Production*, by W. S. and E. S. Woytinsky.

THE AVERAGE business man dies six years before his time, the American Fidelity & Casualty Company has found. The loss this means to business is indicated by the estimate of some experts that a $20,000-a-year executive represents a $250,000 investment by his company.

—*Time*

Yardsticks of Our Economic Growth

DURING THE PAST 50 years our national product has increased five-fold; our population has doubled; and output per capita has increased 2½ times. Yet during this same period the volume of human effort going into production, as measured by man-hours of work, increased by only 80 per cent. The effectiveness of productive labor increased constantly, so that output per man-hour of labor is now about three times what it was 50 years ago.

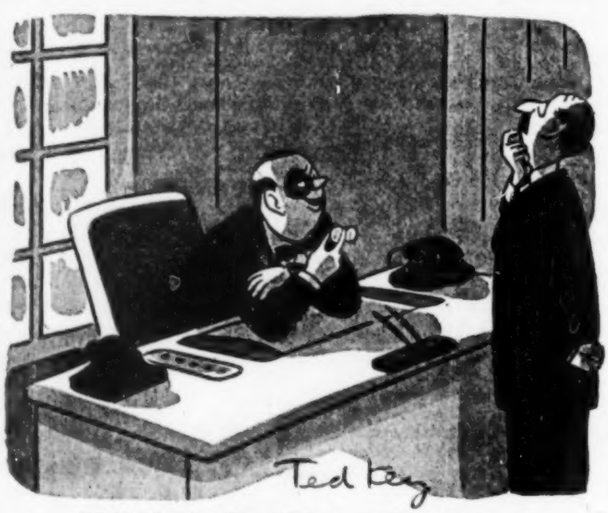
As a consequence of these developments, our annual per capita national income in 1951 led the world at $1,800. (It rose to $1,935 in 1953.) The closest to ours in 1951 was Canada's $1,300; that of the United Kingdom was about $600; and that of several European nations was considerably lower. For about half the people of the world it was $100 or less.

—*Monthly Digest of Business Conditions and Probabilities* (Stevenson, Jordan & Harrison, Inc., New York), 10/53

Higher Learning = Higher Earnings

EDUCATION PAYS—in cold cash as well as in many other respects. Manual laborers reach their peak earnings at age 40; high school graduates reach theirs at 50. The average earnings of a college graduate at age 30 equal those of the high school graduate at age 40. Furthermore, the earnings of the college graduate continue upward to his average retirement age at 65 without interruption. Over 50 per cent of the men in the highest income brackets in this country are graduates of institutions of higher learning; another 40 per cent are the high school graduates; and only 8 per cent of them attended grade school only.

—Frederick S. Blackall, Jr., *President, American Society of Mechanical Engineers*



"Think hard. You don't remember what you did at the office party?"

Also Recommended • • •

MAINTAINING PROSPERITY. Committee on Economic Policy, Congress of Industrial Organizations (718 Jackson Place, N. W., Washington 6, D. C.), November 10, 1953. A substantial growth in consumption, made possible by a rapid increase in current disposable personal income, is required to maintain full employment in the coming period of reduced defense expenditure, this CIO economic study maintains. Business can bolster expanding consumer markets by seeking to maximize profits in the long run through an increasing volume of sales rather than high profit margins, the report states, and government activity must be in harmony with this objective.

THE WORLD IN 25 YEARS: HOW THE U. S. ECONOMY WILL REACH AROUND IT. *Business Week* (330 West 42 Street, New York 36, N. Y.), October 31, 1953. 25 cents. The American economy of 1975 will depend for its markets mainly upon the Western Hemisphere, the Middle East, Africa, and Australia; around cities such as Caracas and Rio de Janeiro, the colonies of permanent workers for U. S. companies will look like typical suburban developments in New York, Chicago, or Washington, this report predicts. It describes the raw material and capital resources and the patterns of investment and industrialization foreseeable in the next quarter-century.

SALUTE TO THE SOUTH. *The Iron Age* (100 East 42 Street, New York 17, N. Y.), November 12, 1953. 35 cents. Seven articles on the industrial potential of the South, accompanied by a directory of southern metalworking plants. More than 3,000 multi-million dollar manufacturing plants, requiring the establishment of many new research laboratories, will be built below the Mason-Dixon line in the next 10 years, the report estimates.

WHAT CORPORATION PRESIDENTS THINK ABOUT AT NIGHT. By John L. McCaffrey. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), September, 1953. $1.25. Sets forth, with humor and candor, one company president's insomnious experiences, which have caused him to conclude that "the biggest trouble with industry is that it is full of human beings." He notes in passing that the problems traditionally associated with specialization of production workers' jobs—i.e., boredom, inflexibility, loss of job pride, etc.—are no longer confined to the rank and file, for specialization of management at all levels appears now to be following exactly the same course and giving rise to the same problems.

THE GREAT LIVONIA FIRE. By William B. Harris. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), November, 1953. $1.25. This dramatic account of the $35-million fire at General Motors' modern transmission factory in Livonia, Mich., last summer tells how GM's executive team reacted to the crisis and got production restored within four months. Intensive study of the causes of the nation's largest industrial fire and ways to prevent reoccurrences is beginning with the development of a new building code for the company, the article states.

OPERATIONS RESEARCH. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), October, 1953. 50 cents. Operations research, which is merely an extension of industrial engineering practices to include advanced mathematical techniques, is a practical tool for solving management problems, such as locating production to minimize shipping costs; predicting production time standards; or finding a basis for an equitable bonus system, this article states. Describing the mathematical tools used by operations research, it points out that the technique permits alternatives to be weighed objectively through the assignment of quantitative values to the important factors of a problem.

WHAT BUSY EXECUTIVES NEED MOST: MORE SLEEP! By W. Schweisheimer. *Commerce* (1 North La Salle Street, Chicago 2, Ill.), November, 1953. 35 cents. The need for sleep varies widely among individuals, with eight hours of rest representing merely the average need, this doctor states. Among his suggestions to businessmen whose nervous tension prevents them from sleeping: go to bed leisurely, an hour before the usual time for retiring; if you can't sleep then, get up and do something diverting for a while.

MODERN TOOLS FOR BETTER MANAGEMENT. By T. G. MacGowan. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), October, 1953. 75 cents. A checklist and description of 50 devices which can help management increase sales, keep down costs, and maximize profits—including forecasts, projections, programs, budgets, operating ratios, performance comparisons, progress reports, economic indicators, danger flags, and special analyses. An occasionally used but highly valuable tool, the author states, is a management audit, preferably made by an outside consultant, on the conduct of the business by its chief executive officers.

Industrial Relations

"NO RAIDING": A NEW LABOR MONOPOLY?

LABOR MONOPOLIES can be created in many ways. Some of these—like the secondary boycott—are now forbidden by law. Others involve expenditure of time, money, and effort. But a cheap and painless method is simply to agree not to compete.

Such an agreement was recently announced with a great deal of pride by the CIO and AFL. One of the largest unions in the CIO—the auto workers union—and one of the strongest in the AFL—the machinists—agreed to a "no-raiding pact."

Raids, they explained, were wasteful of time and effort. They took energy and manpower. They cost money, and in effect they gained nothing. They added no new members to the union—merely shifted the membership of existing unions. This seemed so logical that it has been agreed that all AFL and CIO unions work out "no-raiding pacts."

The public reaction has been very favorable. The public has been so fed up with labor strife that anything seeming to lead toward peace on the labor front is good news.

But these "no-raiding pacts" are simply agreements not to compete. The unions will not have to offer something better to keep their membership; there will be no other place for them to go. Under the guise of labor peace, the unions will have achieved a new link in what is fast becoming a chain around the American worker—who is considered under these pacts as a non-transferable property of the union to which he belongs.

In the past, unions have sought to establish monopolies by forcing employers to discharge any employees who attempted to withdraw from the union. In other cases, unions have used force and violence to intimidate workers who either wanted out or declined to come in.

There have been boycotts of the products of employers whose workers refused to join unions. Unions have engaged in so-called jurisidictional strikes to stop other unions from moving to what they felt was their exclusive territory.

Some unions have imposed impossible fines against members who have shown signs of drifting into other unions—conduct quaintly referred to as "unbecoming a union member." There have been cases of unions which have obtained closed shops and then proceeded to restrict the number of workers who could join, thus creating an artificial scarcity of labor.

These are the hallmarks of monopoly. The unions maintain that there have been justifications for their acts. The justifications to which they point are acts of management. But the major effect of the monopolies which they have created is not to exact reprisals against industry, but definitely to impose grave hardship on the public and on their own membership.

It is obvious that the lack of competition between AFL and CIO signalled by the no-raiding agreement does nothing in itself to raise prices and to create hardship to the consumer. But it does deprive the union member of the right to join

another union if he disapproves of the acts of the leaders, and it sets the stage for subsequent injury to the consuming public.

Unfortunately, the public has been lulled into accepting the whole controversy as being a labor-management affair in which two opposed groups are seeking prerogatives in a great struggle for power. There is no general understanding that the problem of labor monopoly affects management only incidentally, and that the real burden of such monopoly falls on the general public.

Logically, if monopoly is bad in industry, it is bad in labor. If an agreement is made between unions to eliminate competition, it may look to the casual observer that labor is drawing closer to a desirable peace. But the public interest is not served, in the final analysis, by monopoly of any kind; nor does the union member benefit when union leaders get together and decide not to compete for his favor.

While it may be unpopular to attack any step that may look like peace on the labor front, the issue is not one that can be settled as a peace at any price. Rather it must be a just and honorable peace—acceptable to labor and management, but above all fair to the public.

—JOSEPH C. WELLS (Former Associate General Counsel, National Labor Relations Board). *Mill & Factory*, September, 1953, p. 75:3.

WRITING BETTER LETTERS TO EMPLOYEES

IS A COMPANY letter really worth the paper it's written on? Many executives today are inclined to wonder, in view of the time and effort such letters require, the problem of finding suitable subjects, the possibility of union objections, and a number of other difficulties. Why do some authorities consider the letter to employees a better form of communication than, for instance, the company newspaper or the employee financial report, they may ask. Couldn't the message just be put on the bulletin board?

There are several good reasons why a company letter is effective. For one thing, it's cheap. If it's mimeographed—and most letters to workers are prepared this way—the price is a bargain. One company that employs 167 people finds that, by mimeographing its letters, it pays less than $10 per mailing.

Second, if you put your message to workers in the company newspaper, it competes for readers' attention with gossip columns, sports, and general news. Opinion surveys have repeatedly shown that the same facts sent by letter get a much higher readership than they do when presented in the "president's column" of the plant journal or on the bulletin board.

Third, it looks important. If an employee gets a letter from his company, he'll read it. The trick is to keep him reading them. That shouldn't be too hard to do, however, since even the smallest company can find three or four things during a year that are important enough to write about.

Fourth, it's intimate. The employee letter goes right into the home of the worker and his family, and it takes the company with it. It may even bring

about a dinner table discussion, and that's to the good. Moreover, it helps the recipient feel that he has had a part in making company policy.

Fifth, it's quick. One Cleveland concern that has a very successful letter-writing program gets a mailing off to its employees in two or three hours, without straining a bit. Each worker's name and home street number are on a stencil, permitting a fast addressing job.

Finally, it's informal. There are no rules to which you have to conform in writing employee letters. The main points on which the result-producing letter are based are: (1) The writer must have something to say that the reader is interested in hearing; (2) he must present the facts, all the facts, clearly and logically; (3) he must write as one friend to a group of friends, all of whom have a problem in common; (4) he must write as one adult to other adults, not as a teacher explaining a story to first-graders.

Suitable subjects for employee letters are often a problem. However, it is well to remember that any topic that concerns your employees and their jobs is a possibility for a letter. All you need is enthusiasm, sincerity, imagination, and the willingness to take the necessary time out of your busy day to write to your workers, and to keep writing to them. Here are only a few of the many topics that interest your employees and that might serve as subjects for a company letter:

Competitors. What do your people know about your competitors? If you make your rivals come alive through your letters, you will build a spirit of competition in your workforce. If they understand that ABC Corporation is turning out a better product at a lower cost and taking your customers away, they'll begin to hit the ball. After all, it's their dinner plate at stake.

Contract Negotiations. Many companies send a letter to workers after a contract with the union has been signed. The president has a chance to explain the terms of the new agreement and at the same time get across the idea that the company is sincerely interested in the employee's welfare.

Employee Benefits. Industry spends about 30 cents an hour over and above wages for employee benefits like insurance, holidays, vacations, and pensions. Smart management tells this story. In this way the employee learns that his pay check is far more valuable than the amount of money he actually takes home.

Future Business Prospects. Employees are always interested in the future of their company. It's their future. A letter on this subject at the beginning of a new year or a new business quarter is appropriate.

Methods. Suppose you install a merit-rating system or a job evaluation plan, or bring in new machinery that will necessitate restudying the present jobs in a department. A letter from you to the employees explaining exactly *what* you are doing and *why* may win their cooperation.

Purely Personal. Suppose an employee turns in a suggestion that saves the company a lot of money. Suppose a department breaks a production record. Why not a letter to the entire force telling them about it?

Sales. When a big order from a new customer comes in and the shop is busily getting ready to produce it, a timely letter on "sales" is a natural. The importance of sales should be real to the man at the machine, not remote, a thing apart.

Special Occasions. Christmas, New Year's, Thanksgiving are holidays of good will. They are occasions when many a company president sits down and writes a friendly letter to employees. Some top executives even drop pleasant little personal notes to workers on their birthdays or when there is a new arrival in the family.

Times of Trouble. When the union turns down your best offer in contract negotiations, and a strike looks imminent, you can reach your workers by mail with the company side of the story. Maybe when your letter to them draws the full picture, they will force their bargaining committee to come to terms. It has worked before.

—JAMES M. BLACK. *Factory Management and Maintenance,* September, 1953, p. 84:6.

Facts on Sickness and Absenteeism

A COMPARISON of illness and non-industrial injury rates for men and women shows that rates for respiratory and the non-respiratory-nondigestive ailments are approximately three times as frequent among women as among men. For non-industrial injuries and digestive ailments, the rates for women are only about half again as high as the corresponding rates for men. On the other hand, male employees had higher rates than women in 1952 for tuberculosis of the respiratory system, diseases of the stomach (except cancer), hernia, and diseases of the heart.

An inspection of the rates for the decade 1943-52 discloses an upward trend in the frequency of sickness and non-industrial injuries among both men and women, beginning in 1950 and continuing through 1952. The upward trend was more pronounced among women than among men. Indeed, the 1952 rate for women (344.9 absences per 1,000 women) was the highest of the 10 annual rates, exceeding the 10-year average (262.2) by 32 per cent.

During 1952 approximately seven of every 1,000 men and eight of every 1,000 women experienced an illness that caused them to be away from work for more than half of the year. These absences were due primarily to non-respiratory diseases. For both men and women only one-fifth of the respiratory absences lasted more than one month, whereas more than one-half of the non-respiratory absences lasted more than one month.

The disability rate of 6.6 days per man in 1952 corresponds closely with the rate of 6.4 in 1951. Women averaged 13.2 days of disability in 1952 compared with 11.9 in 1951—or approximately twice as many days of disability as the men.

—W. M. GAFAFER in *Public Health Reports* 11/53

RECENT TRENDS IN UNION SECURITY

WHILE UNION security is closely regulated by the Taft-Hartley Act and by restrictive legislation in a number of states, management and unions are still doing a rushing business at the old stand. Not only has there been no falling off since 1950 in the percentage of contracts with union security clauses (70 per cent); when checkoff provisions are also taken into account, only seven contracts out of 100 fail to include one or the other type of clause.

A recent study by the Bureau of National Affairs of 400 contract agreements shows union-shop clauses outnumbering all other types combined, as they did in 1950. A rise in checkoff provisions and in the "modified union shop," a corresponding decline in "maintenance of membership" contracts, and continuing shrinkage in closed-shop contracts are the principal features of this year's union-security picture.

In a full union shop the company is free to hire its labor supply from whatever source it likes, but all employees must join the union within some agreed-upon time limit and must remain members. This type of clause accounts for better than 60 per cent of all union-security provisions and is up three percentage points from its 1950 frequency of 40 per cent of contracts.

Mentioned in a tenth of 1950 agreements, the "modified union shop" has registered a growth of 50 per cent. The modification takes various forms; the most popular provision allows old employees who are non-members to stay out of the union if they choose, requires those already members to remain so, and obliges all new employees to join the union and maintain membership. The principal variation, which shows up in about one-quarter of the cases, provides escape periods for various groups of workers during the life of the contract. The modified union shop is nearly twice as frequent in manufacturing, with 17 per cent, as it is in non-manufacturing (9 per cent of contracts).

No employee is required to become a union member under a "maintenance of membership" contract. However, all employees belonging to the union on a given date and all who voluntarily join it thereafter must keep up their membership for the life of the contract or lose their jobs. Before the passage of the Taft-Hartley Act in 1947, this provision appeared in more than two-fifths of contracts. By 1950, the proportion had fallen to 15 per cent; since then it has shrunk by another third to its 1953 figure of one in every 10.

In a closed shop, management can hire none but people who are union members *at the time of hiring*—at least while qualified union members are available. Such contracts are down 3 per cent from 1950, but persist in a little better than 2 per cent of agreements. There are very few in manufacturing industries.

Union-shop clauses occur in better than 60 per cent of contracts in apparel, leather, fabricated metals, and retail and wholesale. They are least common in finance, mining, petroleum, lumber, printing and publishing, and primary metals, appearing in 20 per cent or fewer of contracts in these fields.

Modified union-shop provisions are more frequent than the full union shop in primary metals, non-electrical machinery, electrical products, printing and publishing, and finance.

A little over one-tenth of agreements contain provisions designed to give union members some degree of preference in securing jobs.

In response to Taft-Hartley Act prohibition of the involuntary or automatic dues checkoff, and its regulation of permissible agreements in this area, checkoff practices have changed along with other union-security techniques. Seventy-six per cent of contracts provide for voluntary checkoff authorizations, with manufacturing agreements showing 83 per cent and non-manufacturing 55 per cent. For 1950, the corresponding figures were only 65 per cent, 75 per cent, and 35 per cent. A provision of much importance to unions allows the deduction of items other than dues. Such clauses occur in better than two-fifths of contracts. About 60 per cent of checkoff clauses allow payroll deduction of the initiation fee, and nearly one-fourth permit the checkoff of union assessments.

Industry patterns for the checkoff show that in some areas it serves as a substitute for union security provisions. This seems to apply in finance, petroleum, and textiles, where practically all contracts include the checkoff, while union-security provisions are quite infrequent. There are six industries—automobiles and transportation equipment, lumber, rubber, petroleum, finance, and mining—in which 95 per cent or more of contracts have checkoff clauses.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.), November 12, 1953, p. 3:4.

How Personnel Men Spend Their Time—A Survey

THE AVERAGE PERSONNEL MANAGER spends 60 per cent of his time in his own department, 35 per cent in the plant or in other offices, and 5 per cent outside the plant, according to a survey conducted by J. W. Vanden Bosch, secretary of the Cleveland Industrial Relations Association, among a group of personnel and industrial relations people in the Cleveland area.

The average personnel man, this survey's findings indicate, is likely to divide his time as follows in the course of a typical week:

Personnel transactions (hires, separations, transfers, etc.), 18 per cent; union matters (formal or informal), 12 per cent; personnel department operations (reports, records, correspondence, etc.), 11 per cent; employee counseling (personal and job matters), 8 per cent.

Employee activities (recreation, mutual benefits, etc.), 6 per cent; training, 6 per cent; cafeteria, plant protection, dispensary, etc., 4 per cent; wage and salary administration, 4 per cent.

Safety, 3 per cent; forward planning personnel program (reading, research, conferring with executives, etc.), 12 per cent; promoting and activating the personnel program (preparing material, meetings, selling supervision, etc.), 11 per cent; other (outside committee work, etc.), 5 per cent.

—*Personnel Journal* 10/53

LOST TIME: Statistics for American industry as a whole reveal that 30 out of every 100 employees lose time from work each year because of illness. Moreover, almost 50 per cent of those who do get sick are forced to remain away from work for a period ranging from one week to four months, with the average serious illness lasting eight weeks.

—*Personnel Information Bulletin* (Veterans Administration, Washington 25, D. C.) 10/53

COST REDUCTION: A JOB FOR THE FOREMAN

IN THE average company, 85 per cent of all materials requisitions—reflecting about 95 per cent of total materials costs—are signed by foremen, according to George S. Odiorne of the Extension Division of Rutgers University.

Some plants, like oil refineries, have a low labor content; cutting cost of materials is most important in such plants. But in plants where most work is done by men and women, labor is the significant cost element. In either case, the foreman is the key man in controlling costs.

Many foremen, Mr. Odiorne points out, don't understand their key function in regard to costs because they fail to realize how deeply they're involved in the competitive game. "The foremen in General Motors," he says, "are in competition with the foremen of Ford. The foremen of Swift are in competition with the foremen of Armour. None of them ever sees his competitors—but the competition goes on just the same. And those companies whose foremen are not concerned with efficiency are the first ones to go into receivership. The stand-patters, the fat cats, and the bureaucrats on the supervisory staff are letting down the company, themselves, and the men."

In the company courses he conducts on cost reduction, Mr. Odiorne—himself an ex-foreman—stresses five major areas of concern:

1. *Knowledge of costs.* Every foreman should know what his costs are and how they are computed. He should know something about direct costs, indirect costs, overhead, prime costs, and so on. This terminology should be as familiar to the foreman as the technical language he uses when he describes his operations.

2. *Watching the big items.* The foreman should give his personal attention to the big expenses and set up a system for controlling the small ones. In a television assembly plant, for example, the big expenses will probably be labor costs—and the foreman will need to schedule tightly to prevent downtime, excess labor on certain jobs, and excessive overtime. The foreman in a smelting plant or a metal refinery, on the other hand, should set up a method for checking gas consumption and the use of acids and reagents, and for controlling waste and yields.

3. *Minor costs.* On small items like gloves, towels, and lubricants, the foreman should set up a system which will allow him to know when such costs are getting out of line. "Get last year's figures," Mr. Odiorne suggests, "and check them against current expenditures. The foreman must find out why his men are using more items than they used the year before."

4. *Direct labor costs.* These are usually most important—and most difficult to reduce. Cutting them may involve changing work methods or the layout of the material. Work simplification charts may be helpful. "The foreman knows his department best and therefore is the one man who is best equipped to make changes," says Mr. Odiorne.

5. *Direct materials savings.* Many companies spend dozens of hours trying to track down a misplaced dime in their balance sheet but throw away thousands of dollars in waste or spoilage. Foremen are the men who generally control the use of materials. If material is used carelessly, spoilage is high and manufacturing costs rise. "In a competitive market," says Mr. Odiorne, "this rise in costs cannot be passed on to the consumer."

—*The Foreman's Letter* (National Foremen's Institute, Inc.) October 12, 1953, p. 2:2.

Also Recommended • • •

SHOP SOCIETY AND THE UNION. By Joseph Kovner and Herbert J. Lahne. *Industrial and Labor Relations Review.* (New York State School of Industrial and Labor Relations, Cornell University, Ithaca, N. Y.), October, 1953. $1.50. The problem of democracy and participation in unions has received much misdirected attention because of the failure to perceive and assess properly the relationship between the shop unit and the local and between active and passive union members, the authors of this study believe. Participation, they note, can be reflected not only in such acts as attendance at meetings but also in the daily talk of the shop society and in the emotions and customs of the workers.

ARBITRATING INDUSTRIAL EFFICIENCY. By A. Howard Myers. *The Harvard Business Review* (Soldiers Field, Boston 63, Mass.), Volume 31, No. 4. $1.50. Worker and union resistance to technological change has become a rarity, the author observes; instead, the contest between labor and management is now concerned with the size of labor's share in the resulting economies. Drawing upon his experience as an arbitrator, Professor Myers reviews some typical disputes arising out of the revision of work standards and offers a number of recommendations for reducing disagreement over proposed changes.

A PSYCHOLOGIST VIEWS ELECTRONIC EQUIPMENT COMPLEXITY. By B. J. Covner. *Electrical Engineering* (500 Fifth Avenue, New York, N. Y.), October, 1953. $1.50. While the complexity of electronic equipment can pose great difficulties for the human operator, equipment need not be complicated to present obstacles to performance, the writer points out. Making jobs as simple as possible, he states, may present problems—for example, by lowering the attention level of the operator and thereby increasing his susceptibility to accidents.

A SURVEY OF DUTIES AND RESPONSIBILITIES OF TRAINING PERSONNEL IN BUSINESS AND INDUSTRY. By David F. Reeve. *The Journal of Industrial Training* (c/o George E. McLaughlin, New York Trade School, 312 East 67 Street, New York, N. Y.), September-October, 1953. 75 cents. This study of the personnel, organization, coverage, and topical content of training programs in a representative group of U. S. and Canadian firms reveals: 1) Small organizations are not yet involved in this activity in large numbers; 2) there is no agreement about the title of the training department head; 3) relatively young persons, with college degrees in 85 per cent of the cases, carry on the activity. Salaries of more than 50 per cent of the training directors range from $6,000 to $10,000, while more than 15 per cent receive $10,000 to $30,000. Included with the results of the survey are a list of recommendations for future study in the field.

PSYCHOLOGY AND ACCIDENTS. By A. H. Malo. *Best's Insurance News* (75 Fulton Street, New York 38, N. Y.), October, 1953. 50 cents. Stressing the progress achieved by research psychologists in determining the characteristics of accident-prone individuals, the author states that employee selection programs in occupations with the greatest accident potential might benefit by test batteries, including a test to identify specific personality characteristics, an interest inventory, and a biographical information blank. He also finds that loss control gains greatly by supervisory training directed at lessening tensions within a plant.

DEVELOPING ENGINEERS INTO EXECUTIVES. By Robert F. Pearse. *Mechanical Engineering* (American Society of Mechanical Engineers, 29 West 39 Street, New York 18, N. Y.), September, 1953. 75 cents. Engineers, as a group, tend to avoid close personal relationships, to insist on precision and on "being right," and to be hostile toward authority, the author states. Using case histories, he shows how these characteristics, where they exist, stand in the way of the engineer's success as an executive; describes modern methods of detecting these characteristics; and suggests ways by which engineers can overcome them and learn to "get results through others."

THE RELATIVE IMPORTANCE OF JOB FACTORS TO COLLEGE GRADUATES AND TO EMPLOYERS. By Carl Dickinson. *Journal of College Placement* (123 South Broad Street, Philadelphia 9, Penna.), October, 1953. $1.00. College seniors questioned in the author's survey on the relative importance of seven job factors ranked type of work as most important and placed job security—usually ranked first or second in studies of this type—in fifth place (men) or sixth place (women). Advancement, human relations, job security, and benefits were rated higher by employers who were asked to rate the factors by the relative emphasis placed on them in employing college graduates.

Office Management

WANTED: A REVOLUTION IN THE OFFICE

ALMOST UNIVERSALLY today business men bemoan the quantity of paper they must read, digest, assess, decide on, or keep on file for reference. Surveying the jungle of filing cabinets closing in on them, worried managements are calling in consultants to survey the problem and recommend solutions.

In our unceasing efforts to bring logic and efficiency to *all* divisions of our corporations, we have had to have more paper work. There are invoices, job orders, warehouse receipts, bills of lading, accident reports, payroll forms, inter-office communications, inventory estimates, budget estimates, plant newspapers, bulletin board notices, records of every description, and, of course, pink, blue, yellow, green, orange and purple carbon copies. This mountain of paper work has made possible much of the growth in our economy that has taken place. In every phase of our operations today paper work is essential. The office function has literally spilled all over the place.

The human problems accompanying office work today are closely related to the machine problem. Between 1940 and 1950, clerical and kindred workers increased 55 per cent in total numbers—from 4,381,000 to 6,776,000—the largest percentage increase of any of the major occupations listed by the Bureau of the Census. Over 12 per cent of all workers in the country today are office workers. This is a larger proportion of the total working force than is represented by any other homogeneous group except industrial workers.

Office work today is not the most attractive calling in the nation. There was a time when it had prestige and dignity, but in all honesty we must admit it has lost a good deal of both in the last twenty or thirty years. Today office workers are frequently restless and increasingly constitute a personnel problem.

There are many reasons for this, but not the least is the fact that most run-of-the-mill paper work is wearing, tiresome and repetitive, even more so than much factory work. Consequently, the treadmill of office routine is less and less attractive to a younger generation which has a rising proportion of high school and college graduates, with great psychological resistance to drudgery jobs.

In large part, resistance to office work arises because too many tedious office jobs are still done by methods that have not changed basically in a hundred years. The old notion that the machine robbed the factory worker of his craftsmanship does not apply in the office. I have never seen a craftsman licking stamps and envelopes who resented the installation of a postage meter that can do both automatically. Machines can make office work more interesting and challenging than it ever has been—and more productive.

Many of us in top management have only recently begun to realize that we must be concerned about the efficiency of the paper work that has resulted from constantly increasing the efficiency and productivity of the manufacturing and sales ends of the business. And we still haven't begun to realize the cost-cutting

and efficiency which we can have in these office operations.

Today the capital investment for industrial equipment runs from $2,000 to as much as $20,000 for each worker, with an average of perhaps $10,000—yet it is doubtful if our office equipment averages as much as $1,000 per worker.

Clearly, office work has vast hidden costs which can and must be reduced. Office work is no more than a manufacturing job in a different setting, and the same opportunity exists for cutting office manufacturing costs that exists in the factory—more opportunity, in fact, since we are so far behind. We manufacture a letter. Its cost depends on the equipment we use to manufacture it. If we use the time of two persons to get it ready to put on paper, that's waste. If it is typed on an out-moded, slow machine, that waste. If we lick and stick stamps, wet the envelope and seal it, that's waste, too. And in the complex phases of accounting and billing and record keeping, there are countless places where waste is unrecognized and tolerated.

Altogether, a revolution in office work is overdue. Unless we recognize the brake that office operations are applying to the future growth of American business, we cannot duplicate in the next generation what we have done in the past. If we are serious about the American commitment for constant improvement, we simply must have a revolution in the office—a revolution that will streamline and reduce paper work, that will increase job responsibilities, job interest, and job earnings, that will utilize the machinery available and yet to come.

As Peter Drucker has put it: "The disillusioned Soviet wit who said 25 years ago that the inevitable development of history was not toward the victory of the proletariat, but toward the victory of the *secretariat* spoke prophetically. This is the new class whose members have yet to see the whole of which their work is a part . . . This middle class of technicians is the offspring of the mass-production principle; they are not orphans, but the true inheritors of a revolution which they scarcely recognize, much less understand."

It is our responsibility to see that we begin to understand this revolution and the promise it holds for all of us.

—From an address by WALTER H. WHEELER, JR. before the Office Executives Association.

UTILIZING STENOGRAPHIC WORKERS: A SURVEY

HOW HAS the current shortage of competent stenographic personnel affected company utilization of secretaries and stenographers? Some interesting answers were revealed by a survey of companies in the Cleveland area (which is considered to be generally representative of U. S. industry as a whole) conducted recently by the local chapter of the National Office Management Association.

The assignment of personal secretaries and stenographers in the 54 companies replying was found to be predominantly limited to top and middle management. Of the total respondents—small, medium and large—51 per cent said that only top management was entitled to a personal secretary, while 34 per cent reported secretaries were also assigned to middle management. The remaining companies

either had no policy or included first-line supervision.

Having a personal secretary serving more than one executive is a common practice, as shown by the results of this survey. Sixty per cent of the total companies reporting said they do this, while 40 per cent replied that they do not.

Companies of all sizes use centralized stenographic pools (38 per cent). However, the larger the company, the greater the number of stenographers who are outside the stenographic pool. It is not general practice to use stenographic pool employees as vacation replacements, or as trainees for jobs outside the pool.

Of the companies surveyed which do not have stenographic pools, few are considering establishing them. Ninety-two per cent of the total companies stated that they were not considering establishing a central stenographic department, while only 8 per cent said they were.

All companies reporting indicated that both direct stenographer and machine methods of dictation and transcription are used in their companies.

Twenty per cent of the companies reporting have installed telephone-type, remote dictating systems to replace some individual dictating and transcribing machines.

—A. H. GAGER. *Office Executive*, September, 1953, p. 37:1.

"EDUCATION WHILE YOU EAT" is the idea behind a recent innovation at the employee cafeteria of an Owens-Illinois Glass Co. plant. Holders placed on each cafeteria table support placards bearing on one side information on such topics as good housekeeping and safety. Menus, etc., are printed on the other.

—*Personnel Newsnotes* (Owens-Illinois Glass Company)

Office Party

This day is ours, for comes this date
That yearly frolic, the office fete;
Yes, this is the day we strengthen our link
With B. J. Smithers and Company, Inc.
The invitations are out, of course,
To everyone on the office force,
And all at present in his employ
From the mail-room girl to the office boy,
To each and every department head;
We're asked to come to be wined and fed.
And if you wonder at this affair
You can bet your hat we'll all be there.
With special lyrics for every song
We'll merrily sing that we can't go wrong
With B. J. Smithers to lead the way.
Hurrah for Smithers! Hurrah! Hooray!
And this is the time of the year, I think,
That Smithers of Smithers and Company, Inc.
Deserves his spot, he's a shrewd old smarty—
You don't catch *him* at the office party.

—JAMES M. BLACK, JR., in *The New York Times Magazine*

WHO WANTS TO BE A SQUIRREL?

PERHAPS it will be files, not insects, that will destroy the human race.

It has been estimated that the salaries of federal employees who are engaged in records handling total more than $680,000,000 a year. The records themselves occupy space equivalent to six Pentagons. It takes something like ten tons of paper to build a battleship—purchasing orders, blueprints, working orders, progress reports, priorities, etc. And when they scrap a battleship they don't sink the files.

Business firms are becoming increasingly aware of the monstrous menace of mushrooming files. The Westinghouse Electric Corporation not long ago threw out some 120 carloads of obsolete papers. One of the country's leading airlines found it could destroy 72 per cent of it files as useless; and it is said to be easier to get a $10,000 appropriation passed by executives of Procter & Gamble for "something useful" than to get a new filing cabinet.

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Most filing is based on fear, in the first place. Office people, from executives to underlings, file everything because they want an alibi in case of an argument.

The office manager of one large company put it this way: "Some filing is necessary, but every piece of paper doesn't become sacred just because it has some typing on it. For example, Joe D. calls you on the phone and asks you a question and you answer him, and that's all there is to it. But if Joe writes you, you file his letter and a carbon of your reply, and Joe's office files a carbon of his query and your answer, and these papers probably stay filed until both offices burn down."

There's a lot of the Collyer brothers in most of us. The Collyers, you'll recall, were a couple of old string-savers in New York City who crammed a four-story house so full of yesterday's newspapers, grand pianos, empty cans, and other stuff that a mass of it finally fell over on one of them and killed him. The other died from starvation—and when the police finally came around to investigate they found the front hallway so filled with "filing" that they had to crash a second-floor window to reach the bodies.

The Collyers were pathological accumulators. But it's likely to get any of us if we don't watch out.

Of course, some of the papers and records we keep have definite value. But you and I are not sure why we file half the stuff we do. Squirrels may have some excuse for filing away nuts for winter, and maybe dogs have some reason for filing bones, but most of the filing that we human beings do is a manifestation of some of our worst traits—our miserliness or stinginess, our fear of the future, our dependence on material props, our weak-

ness for hugging old experiences to our hearts instead of moving bravely on to new ones. Or it may be just plain laziness; it takes character and energy not to file.

A dozen times a day I catch my arm moving toward the filing tray, check it, wad something up and fire it in the wastebasket. You can reduce your own filing, as I have, by the exercise of second thought and courage. Old paper is worth $10 to $20 a ton.

—DON HEROLD. *Advertising Agency*, Vol. 44, No. 11.

RECORDS MANAGEMENT: THE NEWEST PROFESSION

COMPANY records today have become so complex that a well administered records program is an integral part of actual company management. The compensation for key positions in records management, in some cases, has risen 200 per cent in the past five years.

Designing an effective records program, operating it economically, training a suitable staff to administer the program, maintaining proper liaison with management, keeping abreast of new technical developments—all these are problems with which modern records management is becoming increasingly concerned.

In designing an effective records program, the records supervisor should consider the following points:

A comprehensive analysis of company records to determine the proper file arrangement. Files should be planned and organized to provide efficient service for those who depend on the files for facts and information.

The creation of new files necessitates bringing related records together under one control. Whether the company's files should be centralized or decentralized depends on record usage within the company.

Filing practices should be standardized to assure uniformity of file classification. The best method of acquainting those who maintain and refer to the files with their operation and organization is to prepare a manual of records procedure.

Expansion of company records with resulting records retention and disposal problems demands some sort of over-all records control. Records storage for inactive material should be an integral part of the records program. Determining if a record has future reference value or can be destroyed before reaching the files can reduce file space requirements. Even when a retention program is in existence, inactive material should be constantly reviewed to reduce retention periods already established. The records supervisor should also play an important part in forms control. Establishing the retention for a form when it is created assures the automatic destruction of useless material.

Economy of file operation has three aspects:

1. Economies of time and labor can be achieved by studies of work performance to determine quicker and less fatiguing methods of job accomplishment. Standards of file production and efficiency can be set by keeping and studying production and volume reports. Locating file areas adjacent to departments they support results in faster file service.

2. Economical use of floor space requires that record rooms should be designed and planned for the purpose. By combining related files and thereby eliminating unnecessary duplication of records, considerable file drawer space can be saved.

3. Economies of equipment and supplies demand that the records supervisor be familiar with file equipment and supplies that are available on the market. The purchase of file supplies in quantity assures uniform purchases at a lower cost.

In training and developing a suitable staff for the administration of a records program, the records supervisor should have skill in instructing, skill in improving methods and skill in working with people—besides a thorough knowledge of her own work and responsibilities. Follow-up is essential to proper job training.

The liaison between management and the records supervisor is most important. It is within the province of the records supervisor to collect information, recommend standard record practices and procedures, and submit them to management in the form of reports and memoranda. It is the records supervisor's obligation to keep management informed of the company records situation and to suggest newer and better methods.

To keep abreast of new trends in records management and to be informed of developments in related fields, the records supervisor should visit other records departments and attend discussions of technical groups with similar interests. Membership in professional associations and extensive reading of technical literature in the records management field are likewise important.

Those who possess a sound knowledge of records procedures, together with an imaginative appreciation of the intimate relationship between the management of records and the management of business as a whole, will be best fitted to discharge the increasingly important responsibility of records management.

—From an address by DOROTHY KNIGHT before the Records Administrators of Philadelphia Conference.

Allergies in the Office

OFFICE WORKERS sometimes get skin allergy from things they touch or handle—and it may be difficult to pin down the culprit. Writing in the *Journal of the American Medical Association*, Dr. George E. Morris tells of a man who suffered from a skin rash for 11 years before it was discovered that he was allergic to rubber bands. Then he developed blisters from a green rubber desk pad. The skin cleared when the pad was removed. He got new rashes when the office was fitted out with green leatherette chairs. Finally he acquired a different chair and is now free of trouble.

In another case, a girl clerk was allergic to the green paint on pencils, and a stenographer to liquid soap. Others were sensitive to carbon paper, glue, or typewriter ribbons.

"EACH EMPLOYEE," says the employee induction policy of Dun & Bradstreet, Inc., New York, "should be told very early by the supervisor the names of one or two persons to whom the newcomer may turn to get information in case the supervisor is not present when questions come up. Frequently the newcomer, being shy, does not wish to turn to another person if the supervisor is not present, and might guess at what is being done and make costly errors."

Life Stress and Absenteeism

THE rather generally accepted conclusion that a small number of workers are usually responsible for a major portion of a company's absenteeism has been corroborated by a recent study of the attendance habits of 1,297 telephone operators. The study, conducted by the medical director of the New York Telephone Company, indicated that absences, in terms both of total days and number of times absent, were concentrated among a relatively small group. The same employees fell into the high absence and low absence groups throughout their employment by the company.

Twenty women with a high absence rate, studied as a group, were discontented, unhappy, difficult to get along with, and difficult to supervise. Another group of 20 women, who had a low absence rate, were apparently content, easy to get along with, and easy to supervise. The records of the entire group of 1,297 showed that general attitude and ability to get along with others had a positive correlation with attendance.

—*Safety Maintenance and Production* 11/53

Also Recommended • • •

A SYSTEM OF RECORDS MANAGEMENT. By Herman Limberg. *The Office* (270 Madison Avenue, New York 16, N. Y.), December, 1953. 25 cents. Recommending the appointment of a chief records officer, departmental officers, and a committee on records retention in large companies, this article describes the types of storage areas needed for housing files, the major classifications of records to be handled, and the administrative procedures to be followed. A set of forms and instructions for installing and administering the records management program is included.

YOU CAN'T PLAN TOO EARLY! By Kenneth H. Ripnen. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), October, 1953. 25 cents. Presents a method of analyzing an organization's space and equipment requirements and a form for recording this information, so that the proper space can be allotted to various functions before a new office layout is begun. The article also includes a list of the services which architects perform in the planning of an office.

THE USE OF PERSONNEL TESTS IN SELECTING WHITE COLLAR WORKERS. By Paul L. Mitzner. *Management Methods* (141 East 44 Street, New York 17, N. Y.), October, 1953. Reports on the successful use by three insurance companies of a battery of six psychological tests (all but one specifically designed for the companies) in the selection and placement of clerical employees. Three years' experience in the use of the tests, the author asserts, has enabled the companies to establish definite correlations between typical test profiles and subsequent performance in particular types of clerical work—besides enabling the companies to eliminate approximately 55 per cent of potential terminees at the time of selection.

THE ACCOUNTING PROCEDURE MANUAL. By W. C. Madden. *The Office* (270 Madison Avenue, New York 16, N. Y.), December, 1953. 25 cents. Top level management support and the assistance of a clearing committee to organize, develop and maintain it are essential to the success of a procedure manual, this discussion of the basic techniques of organizing and preparing a manual points out. Special reference is made to the problems encountered in organizing manuals in companies which utilize electric accounting or punched-card equipment.

OFFICE "TREK TO THE SUBURBS": IS IT WANING? By Robert M. Smith. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), December, 1953. 25 cents. Realizing New York City's advantages as a distribution center and exhibition point and its convenience for employees, industry is increasingly questioning the wisdom of moving to the suburbs, this article states. As evidence of the trend back to town, it cites the decision of realtor William Zeckendorf to buy three of New York's largest office buildings and Socony-Vacuum Corporation's plan to lease a metropolitan office site.

ARE YOU GETTING THE MOST FROM YOUR SUPPLIERS?

BACK IN THE driver's seat, some buyers are yielding to the temptation to get even with suppliers for their take-it-or-leave-it attitude when materials were hard to get. If your company's relations with vendors are poor, you may be shutting yourself off from assistance that means real dollars-and-cents savings or profits in today's competitive markets.

Here are some practical ideas that may help you get better service from suppliers by improving your company's policies and procedures in the vital area of vendor relations:

Let your key suppliers in on your sales plans. If you plan to expand production, the vendor will be glad for a chance to adjust his schedules well ahead of time. Particularly if your business is small, discussion of your company's sales outlook will give the vendor an incentive to service your account adequately—perhaps even to help you until the new business gets rolling.

Consider holding luncheon forums or periodic meetings for vendors' salesmen and sales managers. This is a good way to foster a better understanding of your purchasing problems, product, sales outlook, etc. A graphic presentation of how each part or material fits into successive stages of production can drive home to suppliers the importance of maintaining high quality, competitive prices, and prompt deliveries much more forcefully than words.

Keep suppliers' salesmen informed about your products, their technical composition, and your buying requirements. It should be standard practice to give the salesmen your brochures, data sheets, drawings, etc., showing the performance characteristics and composition of your products.

Give visiting salesmen written statements of your basic buying principles. Booklets like Lockheed Aircraft's "What Goes on in a Buyer's Mind," which highlight buyers' reactions to various sales approaches, are very effective. They help salesmen to gear presentations to your specific needs and interests and save time for your purchasing people. Be sure, too, that salesmen are informed of the names of your buyers and their areas of interest.

The best way to show appreciation for extra good service, technical assistance, or other help from a supplier is, of course, to assure him of your continued business. But there are other ways to give him tangible evidence of your good will. For example:

1. Pass on sales leads. When salesmen call on you, give them a rundown on other firms in your area which might have use for their products. And when you learn of competitors' expansion plans, or their procurement difficulties, or product changes, pass on the information to the salesmen who might benefit.

2. Help vendors get tight materials. There may be times when your order will face delays because your supplier is out of stock on the necessary components. If you can steer him to an emergency supply, you'll earn gratitude

which can pay off when you need a rush delivery, extension of credit, etc.

3. Don't hesitate to give suppliers suggestions for new uses or new markets for their products. At the same time, make it clear that you're on the lookout for any sales ideas they might come across for your products.

4. If you have complaints, be constructive. When merchandise is received damaged in transit, analyze the damage to see if simple changes in the shipper's product design, packing, or shipping methods, might reduce such losses. By passing such information on, you insure that merchandise will be received in good shape and build good will at the same time.

Emergency calls are one of the greatest sources of friction between buyers and suppliers. Obviously, not all rush orders can be avoided, but chronic emergencies are probably caused by loose inventory control or other inefficiencies. Records of the number of rush orders placed by each group or department in your company will show up the worst offenders and furnish ammunition for an educational campaign.

If you know ahead of time that your supplier has the equipment, labor skills, and supervision to fabricate to your specifications, and that he has the ability to finance your contract without delays, you will save much bickering, bad blood and extra costs later on. Reliable suppliers won't object to reasonable requests for regular financial reports, and they normally welcome an inspection of their facilities by your production men and engineers. Moreover, you'll get maximum benefit from suppliers' know-how if your designers, engineers, or production men have a chance to discuss technical problems personally with vendors' representatives. But make sure that contacts with suppliers are cleared through your purchasing agent; a supplier who spends valuable time giving your technicians free advice will resent it if your buying staff, unaware of this assistance, places its orders elsewhere.

In months to come, buyers will be subjected to increasing sales pressure for the "you-scratch-my-back-I'll-scratch-yours" type of trading. Reciprocal buying is obviously a matter of policy to be decided by top management, but if you decide it's necessary, be sure to take proper safeguards against abuse. Specifically, this means giving preference only so long as your supplier-customers remain competitive; retaining alternative sources of supply; and making sure your own salesmen aren't relying too heavily on the easy setup for sales.

—*Operations Report* (Research Institute of America, Inc., 292 Madison Avenue, New York 17, N. Y.), Volume 7, No. 6.

EXPLAINING AUTOMATION: To spell out to the man on the production line how his future will be affected by the automatic production line of tomorrow, the Ford Motor Company has produced a movie specifically designed to sell the concept of the automatic factory to its workers. The film, (a 24-minute three-reeler) is titled "Technique for Tomorrow." Its theme is summarized this way: "This is an example of a new science—created in the 20th century. It's called automation—and it means letting the machines do all the heavy work and saving men for better jobs. *It's a big change.*"

—*Grey Matter* (Grey Advertising Agency, Inc.) 11/15/53

Ten Commandments of Safety

FOR SUPERVISORS

Your job in management places you in a unique position of trust. For not only does the company rely on you, as the direct representative of management, to apply its policies wisely and fairly; also entrusted to you is the obligation to safeguard the well-being of the workers in your charge. No responsibility transcends this in importance. In this respect your job is akin to the "stewardship" of biblical days: As a supervisor, you are indeed your brother's keeper.

On-the-job accidents represent a serious threat to the physical well-being of your men. Their prevention calls for your constant vigilance. Therefore, if you would guide your men safely through their daily work, be yourself guided by these precepts:

1. You are a supervisor and thus, in a sense, have two families. *Care* for your people at work as you would care for your people at home. Be sure each of your men understands and accepts his personal responsibility for safety.

2. *Know* the rules of safety that apply to the work you supervise. Never let it be said that one of your men was injured because you were not aware of the precautions required on his job.

3. *Anticipate* the risks that may arise from changes in equipment or methods. Make use of the expert safety advice that is available to help you guard against such new hazards.

4. Encourage your men to *discuss* with you the hazards of their work. No job should proceed where a question of safety remains unanswered. When you are receptive to the ideas of your workers, you tap a source of first-hand knowledge that will help you prevent needless loss and suffering.

5. *Instruct* your men to work safely, as you would guide and counsel your family at home —with persistence and patience.

6. *Follow up* your instructions consistently. See to it that workers make use of the safeguards provided them. If necessary, enforce safety rules by disciplinary action. Do not fail the company, which has sanctioned these rules—or your workers, who need them.

7. *Set a good example.* Demonstrate safety in your own work habits and personal conduct. Do not appear as a hypocrite in the eyes of your men.

8. *Investigate and analyze* every accident—however slight—that befalls any of your men. Where minor injuries go unheeded, crippling accidents may later strike.

9. *Cooperate* fully with those in the organization who are actively concerned with employee safety. Their dedicated purpose is to keep your men fully able and on the job and to cut down the heavy personal toll of accidents.

10. *Remember:* Not only does accident prevention reduce human suffering and loss; from the practical viewpoint, it is no more than good business. Safety, therefore, is one of your prime obligations—to your company, your fellow managers, and your fellow man.

By leading your men into "thinking safety" as well as working safely day by day, you will win their loyal support and cooperation. More than that, you will gain in personal stature. Good men do good work for a good leader.

—Charles P. Boyle

Note: Reproductions of these "Ten Commandments of Safety for Supervisors," in an attractive two-color format suitable for framing, are available at moderate cost. For quantity prices, address AMA headquarters.

Foremen Advise the Safety Man

FOREMEN usually are on the receiving end of safety advice. But at Thompson Products Company (Detroit) supervisors recently turned the tables and offered some practical suggestions to safety men. Here are their recommendations:

1. Assist in the "spelling" of safety to all employees by providing practical and educational posters, banners, and other visual aids on safety. Serious accidents should be written up and posted.

2. In cooperation with supervision, compile a book on safety rules and safety regulations peculiar to various jobs and operations.

3. Check on the possibility of maintaining an inventory of eye-protection devices.

4. Provide necessary facilities for tagging and locking out machines during times when they are being repaired.

5. Identify all wiring of a temporary nature through the use of tags.

6. Supply each department with a first-aid kit for use when—as on third and week-end shifts—no nurse is on duty in the medical department.

7. Send supervisors a monthly safety report indicating by departments the number of accidents, unsafe acts, and unsafe conditions.

—*The Foreman's Letter* (National Foremen's Institute, Inc.) 9/23/53

"Your comments on our production methods are very interesting, Forbes. I'll file them for the board to take up."

—Courtesy of *The Iron Age*

MOVIES SOLVE PRODUCTION PROBLEMS

FOR THOUSANDS of companies nowadays the movie camera is a valued if not indispensable business tool. Not only are industrial movies doing a significant job in training and selling; they are proving increasingly versatile as a means of locating kinks in production processes.

One of the newer angles for keeping the camera at work in the shop is time-lapse photography. Here the camera is set to take pictures at intervals of a minute or so; kinks in materials handling or manufacturing steps show up on the projection screen.

One company, for example, was having trouble with its materials flow. The production department, charged with scheduling lift trucks moving materials about the building, claimed the elevators were at fault. The building department, in charge of elevators used by the tow trucks, claimed the production department didn't know how to schedule its tow trucks. In the absence of proof, each department was adroitly passing the buck. Then an engineer planted a movie camera with electric drive in front of the elevators. The camera, operating automatically, took one picture, or frame, each minute. After eight hours the film was developed; production and building departments could tell to the minute how long trucks had to wait for the elevators, or vice versa. The upshot: both production and building departments made some scheduling changes. The cost of the whole study was the price of one roll of film and processing.

An airline is using time-lapse photography to determine rush hours at its reservation windows. It plans to stagger employee work periods to have the greatest number of employees available when the ticket business is at its heaviest.

A repair firm, concerned about the time workmen spent at the stock room window waiting for parts, installed a time-lapse setup. A picture every minute told how long each workman had to wait. The stock room decided its delivery needed speeding up.

A large jet engine manufacturer uses a time-lapse movie camera to check jet engines under test. The camera records instrument readings on 30 different gauges simultaneously at intervals of one to four minutes. These records can be studied after the engine has come off test.

For best results, time-lapse photography requires two special camera attachments —an electric drive and a timing mechanism, available at about $175. A 16 mm movie camera, with standard attachments, costs from $300 to $700.

High speed photographic equipment is well-known in industrial use and has been used to study the action of machine tools, circuit breakers, and other equipment which move at high speeds. But it requires special cameras which cannot, as a rule, be used for other purposes.

A recently introduced sound projector now enables a company to add sound to its demonstration or selling films. Like a tape recording, the sound track can be erased and a new track substituted on the old film merely by running it through the projector while recording a new sound track. One producer of heavy equipment already is using this sound projector in South America to fit different Spanish dialects into a single edition of his sales film.

—*Iron Age*. October 29, 1953, p. 41:1.

Also Recommended • • •

U. S. INDUSTRY ADOPTS FOREIGN TECHNIQUES. *Business Week* (330 West 42nd Street, New York 36, N. Y.), October 17, 1953. 25 cents. Particularly in the metal-working trades, chemicals, and optics, more European inventions and techniques than ever before are being used here, this article points out. This development, which requires considerable adjustment of foreign methods to our cheap materials and costly labor, is a precaution against future raw materials depletions or war-time shortages.

PREVENTIVE MAINTENANCE FOR INDUSTRIAL TRUCKS. By John A. Draxler. *Plant Administration* (481 University Avenue, Toronto, Ont.), October, 1953. 50 cents. Set forth here are basic rules for establishing an effective truck maintenance program; principal causes of equipment failure; danger signs which, if caught in time, can save costly repairs; and pointers to check on all truck types. The author points out that without proper training, some maintenance men may misuse equipment because they are afraid of the electrical controls on trucks.

CYBERNETICS MARCHES ON. *Grey Matter* (166 West 32 Street, New York 1, N. Y.), November 15, 1953. Gratis. A round-up of news items revealing the spread of automation and the beginning of what this report terms the "second industrial revolution." A nuclear control instrument that provides an accurate measurement of the thickness of flooring materials is among the devices mentioned.

SPOT YOUR HAZARDS. By Earl C. Shedd. *Safety Maintenance & Production* (75 Fulton Street, New York 38, N. Y.), October, 1953. 50 cents. A safety plan in which the inspector spends as much time in each department of a plant as he feels necessary, in order to locate not only existing physical hazards but potential ones, is described here. The article recommends that the engineering department be notified well in advance of the arrival of new equipment so that it can be inspected before use.

MACHINE TOOL BUYERS' GUIDE. *Steel* (Penton Building, Cleveland 13, Ohio), November 16, 1953, Section Two. 50 cents. Based on a survey of trends in machining capacity, methods, tooling, and machine tools anticipated by over 2,000 companies, this report estimates that machine tool users will increase their machining capacity by 12 per cent from 1953 to 1954 and by nearly 25 per cent by 1960. Though specially built and automation-type machine tools will find new areas of application during the next few years, the standard machine will continue to be the foundation of most production lines, the report predicts.

CONTINUOUS HANDLING BETWEEN BUILDINGS. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), September, 1953. 30 cents. The use of conveyors to move materials among widely separated departments or plants is described here, with examples of pneumatic, belt, overhead chain and cable, roller, slat and modified floor conveyors. Long belt conveyors, familiar in quarries and mines, are now being used efficiently for handling between manufacturing buildings, the article states.

PLANT LAYOUT IN 3-DIMENSIONS. *Consulting Engineer* (420 Main Street, St. Joseph, Mich.), October, 1953. 50 cents. Scaled models of plants are invaluable for work scheduling, safety planning, and designing incentive programs and training programs; moreover, they cost only 0.1 to 0.4 per cent of total plant cost, this article points out. Among the advantages cited: three-dimensional models hasten the completion of plants, permit savings in design, and save errors in placement or routing.

COLOR . . . A NEW TOOL FOR INDUSTRY. By Faber Birren. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), October, 1953. 50 cents. Listing six general benefits of applying color to work areas, this article cites a U. S. Public Health Service study which showed that better light and color resulted in a 5.5 per cent increase in worker productivity and gross annual payroll savings of $139.25 per employee. It also describes a color code drawn up by the author and adopted by the American Standards Association in 1945.

IMROVED SPACE UTILIZATION. *Flow* (1240 Ontario Street, Cleveland 13, Ohio), September, 1953. 30 cents. How an aircraft company with three basically different products designed a flexible plant layout to get the maximum dollar return for each square foot of floor space. The key to space economy in parts handling is volume, the company found; the article shows how use of a straight-flow production line for the parts handling of a single product achieved savings of 40 per cent in space utilization and doubled production.

CLUES TO YOUR CHANGING MARKET

MARKETS HAVE been growing so fast in recent years that most businesses could hardly have avoided growing under the sheer pressure of population and its purchasing power. Many managements, in fact, have been lulled into a false and dangerous feeling of success by this automatic increase in sales. More far-sighted companies, however, are analyzing market changes—and quietly carving themselves a bigger piece of this bigger pie.

Let's take a look at some of the main forces at work in the U. S. today, and assess their significance for marketing:

POPULATION GROWTH

In the ten years between 1940 and 1950, the equivalent of 1½ Canadas were added to the American market. Since 1950 our population has increased by 9.3 millions more; by 1960 it will be almost 180 million. Yet since 1950 the populations of nine states have decreased. The West and Florida continue to show the greatest growth.

Obviously, the total market for goods and services is expanding rapidly. We shall also have a larger labor force to create new wealth. Every marketer should realize that these changes in population characteristics, location, and distribution require constant study if he is to make the most of his market opportunities.

HIGH BIRTH RATE

In 1947 our birth rate hit its highest peak in 25 years. More recently, even with a decreased birth rate, the actual number of births has stayed high. There were more births in the first seven months of this year than during any comparable period in our history. Significantly, couples today are having far more second, third, fourth and fifth children.

With 65 per cent more children under 5 years of age and 50 per cent more children aged 5 to 9 years than in 1940, the marketing implications are clear for milk, clothing, toys, transportation, etc.

HOUSEHOLD FORMATION

Today a larger proportion of our population over 14 years of age is married than in the past. Because of the low birth rates of the 1930's, the number of marriages will decline between now and 1962; but this decline will be partially offset by the tendency toward more children per family. In the past two decades, the number of households has increased at a rate about twice as great as population growth. This rate, which is now going down slightly, will again climb sharply after 1962.

Since the household, rather than the individual, is the purchasing and consuming unit for most products, the demand for many types of goods increases at a rate greater than would result from population growth alone.

The decreasing size of households will mean a continuing trend toward smaller but better-designed houses and apartments. This trend will also affect buying habits, design, and unit sizes of various products.

DECLINE IN THE DEATH RATE

The Grim Reaper is slowing down. By 1960, over 31 years will have been added to the male life span since 1850,

while the "weaker sex" will have gained over 36 years. Your customers are eating and staying with you many more years that did your father's or your grandfather's customers. Our average age was once 16 years; by 1960 it will be 31 years.

Plainly, the importance of the "old customer" is becoming greater. Special foods for the aged, books on diet, hearing aids, travel, resorts, amusements facilities, television, electric blankets, dentures, special toiletries and home conveniences are but a few of the products and services that will have increased opportunities in an aging market.

A RICH FARM MARKET

The proportion of farm population has decreased from 95 per cent at our birth as a nation to approximately 16 per cent today; this trend is continuing.

American farms are fewer, but they are growing in size. Moreover, the number of owner-operated farms is growing. Mechanization, electrification, better fertilizers, better seeds and better methods have greatly increased the purchasing power of the farm market.

THE TREND TO THE SUBURBS

America is going suburban, and rapidly. More than half of the nation's population now lives in 168 metropolitan areas, which include only 9.1 per cent of the total counties in the country. The population in these metropolitan areas increased 21.2 per cent in the past decade, while the non-metropolitan counties increased less than 6 per cent, and the nation's population increased 14.3 per cent. In a study of 32 of the metropolitan areas made by the Bureau of the Census, all showed greater increases in retail trade in the suburban areas than in the central cities between 1939 and 1947.

Neighborhood stores and integrated suburban shopping centers hold the greatest promise of the future in retailing. This movement to the suburbs also means more automobiles, more mileage per auto, and more multiple-car families. Consider, too, what it means in terms of lawn mowers, miniature tractors, seeds, garden tools, home work shops, gardening magazines, and extra clothing!

MOBILITY OF THE MARKET

Nine out of every 10 persons one year old and over in April, 1952, had moved at least once in their lifetimes; approximately 30 million people move every year. There is no better proof of the need of constantly studying your market than a look at county changes of population between 1940 and 1950. While 498 counties gained 20 per cent or more, 191 counties lost 20 per cent or more. While 307 counties gained 5 per cent to 9 per cent, there were 403 others which lost 5 per cent to 9 per cent.

Losses and gains of population are very unevenly distributed and require constant careful study by marketers. The problem is greatest for the business with a local, state or sectional market. Cupid, the Stork and the slowing-down of the Grim Reaper are certainly showering us with market blessings. But always overshadowing these blessings is the inescapable need of discovering, studying, and measuring change. What is happening to your market in terms of numbers, composition, location, concentration, income and its distribution, leisure time, diets, preferences, interests, hobbies and habits? Finding the answers will bring you generous rewards.

—Virgil D. Reed. *Chain Store Age*, December, 1953, p. 23:4.

GUNS AND BUTTER AND BABIES

IT NOW APPEARS that the most enthusiastically press-agented depression of modern times isn't going to happen. At least, it has been postponed. The basic truth is that the American economy is growing so fast, has such inherent strength, has such flexibility and vitality, that only a major catastrophe is at all likely to retard its continued progress very appreciably at any early date.

Let's look at the record:

U. S. population passed the 160-million mark in mid-August, 1953. In the short space of eight years from V-J Day the net increase was 20 million persons. The U. S. economy in 1953 was 21 per cent bigger than it was in 1940.

If it were merely a matter of more people eating, population growth might be not a measure of prosperity but the reverse. As a matter of literal fact, however, the American people in 1945—after welcoming 8 million newcomers and after out-producing the world in war materials and feeding millions of allies—ate better than they ever had before. For the first time in history, a people raised its standard of living while conducting an all-out war. And living standards have continued to improve steadily through 1953.

This happy result has been due in large part, to the fact that we had not only more people eating but a lot more people working as well. More people working turned out not only more products but more products per worker. The output per worker was roughly $4,188 in 1940; $5,831 in 1945; and $5,977 in 1953 (all calculated at 1953 prices). The rise in living standards that has taken place is evident from the fact that per capita income (in terms of 1953 prices) increased from $1,118 in 1940 to $1,430 in 1945 and $1,554 in 1953—while per capita consumption expenditures increased from $1,064 in 1940 to $1,217 in 1945 and $1,554 in the past year.

The experience of the war period showed that the U. S. economy not only could produce both guns and butter, but could produce guns and more and better butter. In the postwar period the GI's and their brides proved that the nation could support guns and more and better butter and also more and better babies.

A record number of marriages in the first postwar year, 1946, was followed in 1947 by a record number of births. From a low of 15 per 1,000 of population in 1933, the birth rate rose—at first gradually and then suddenly in 1947—to 25 per 1,000 of population, the highest rate since 1915. After 1947 the marriage rate fell off gradually, not because marriage was becoming less popular but because there were fewer unmarried people of marriageable age each year. In spite of this, the number of new babies has been close to 4 million annually since 1947. The current rate is 75,000 new babies a week, and the net population gain has been about 51,000 a week.

This somewhat sudden desire for large families is actually a great vote of confidence in America's future by the present generation of newlyweds. When Americans learned that their resources and their resourcefulness admitted no ceiling to progress, then numbers of them apparently decided that a houseful of healthy, happy youngsters was about as good an index of a high living standard as ownership of a car or a washing machine. The motto of the American people seems to be: "Nothing's too good for our kids." It has been estimated that the

total retail value of merchandise produced and sold for the baby and small fry market is running to more than $5 billion annually.

During the eight years since V-J Day, while population increased by 20 million, there were built some 8.2 million new non-farm dwelling units and an unknown number of farm dwellings. Total new construction has amounted to $200 billion in current dollars, according to government estimates.

During the same eight years the total number of registered motor vehicles has increased by nearly 22 million. The backlog of demand for improved highways, for replanning of city streets to relieve traffic congestion, and for parking spaces, both indoor and outdoor, is staggering. The aviation industry, too, has considerably outgrown its ground facilities.

There is a momentum that is carrying these things along. Population trends have changed in the past and will change again some day. But if 20 million people have been added in the past eight years, it is reasonable to expect at least another 15 million in the next seven years, which would give a census total of 175 million in 1960.

Our growing population will require vastly enlarged quantities of non-durable consumer goods. Not only is population on the rise; postwar babies are growing up, and their requirements are increasing. Enlarged production facilities, to take care of increasing numbers of consumers and to provide for each individual consumer more goods and services, will require enormous capital investment—new plants, new modern factory equipment, new sources of power. Moreover, since the labor force will probably increase by a smaller percentage than will the total of consumers, it will be necessary to increase output per manhour if all requirements are to be met; this will be a further stimulant to the building of new, modern plants and the expansion of distribution facilities.

Our future growth, of course, is unlikely to continue at a uniform rate. From time to time, temporary slowdowns will be necessary in order to adjust imbalances in the general business picture. Occasionally there will have to be corrections of farm surpluses and excessive inventories of other goods. Credit must be so managed as to avoid both inflation and deflation, and undue speculation must be curbed. Considering the potential of increased productivity, competition is likely to rule the market. But aggressive and creative selling can assure the effective distribution of goods and services and the effective development of new demand.

—THOMAS S. HOLDEN and CLYDE SHUTE. *Architectural Record*, November, 1953.

New Products: Always Room for One More

THERE IS A lesson worth heeding in the news that the output of radio sets this year has risen almost 180% above the level of 1952. When television leaped into national popularity, some prophets said the doom of radio was coming fast. But it wasn't so.

The same kind of snap judgment has looked for the end of a lot of things that are still selling well. Radio itself, 30 years ago, was expected to wipe out the phonograph industry. Yet the output of recorded music has never been at such a profitable volume as at present. The craze for automobiles—which seemed a craze back in the 1920s—was expected to promote travel to such an extreme that

almost no one would have time to stay home. This, in turn, would break up family life in the U. S., usher in hard times for shoe-leather merchants, and ruin the home furnishings trade. Yet the furniture business has been good, even along the highways. Families, marked for eventual shrinkage, have multiplied. Television has kept them together so they can enjoy comfortable furniture, air-conditioning and refrigerated refreshments. Of course, this may indicate that movie theaters are doomed, yet who can remember when so many fascinating improvements were offered to motion-picture audiences?

So the world moves, habits change, and new models appear in movie screens, cars, houses, radios, toasters and fountain pens. Items that seem at first no more than passing fancies turn out to be of enduring value in family life. It is never easy to foretell the effects of an invention. That's why long-range prophecy about public taste is risky. People buy what they buy because they want it, whether it competes with something they have or is in a class by itself. The ruling force in merchandising isn't always fashion. Many things that have been on the market for generations withstand competition because they are still convenient or useful. Despite all the new zippers, fasteners, and adhesives that have been devised, the safety pin is here to stay.

—*The Biddle Survey* (Biddle Purchasing Company, New York) 10/20/53

Mobile Showrooms Move the Goods

SUBSTITUTING HUSTLE for complacency, a growing number of companies are taking their products to virgin sales territory by means of traveling exhibits. One example: Yale & Towne Manufacturing Co. (New York) wanted to show more small companies how materials handling equipment could serve them. To do the job, two specially-built trucks this year carried a Yale & Towne exhibit 20,000 miles throughout the U. S., Canada, and Mexico.

General Motors entertains and informs the man in the street with a touring display of progress in automotive engineering, which so far has attracted 1,420,847 persons. A specialized approach, rather than mass appeal, is the goal of Reliance Electric & Engineering Co. (Cleveland). Two mobile exhibits of electric motors, motor drives, and controls are used in discussions of production applications with engineers, management, and maintenance men. Reliance's district men assist with showings for prospective customers.

Most firms feel the intangible advantages of conducting exhibits outweigh the expense and difficulty involved. Displays need not be complicated to set up or costly—at least one exhibit consists of a background developed by a display house and a foot locker holding the company's products. Other difficulties industry takes into account are delegating skilled engineers to accompany the show and finding an acceptable hard surface on which to set up the exhibit.

—*Steel* 11/23/53

RETURN OF THE GENERAL STORE: To what extent have supermarkets gone into product lines not usually found in food stores? Nine out of every 10 supermarkets sell health and beauty aids, says the Supermarket Institute. Housewares are sold in 68 per cent of the supers; stationery, in 40 per cent; books, in 37 per cent; general magazines, in 32 per cent; glassware, in 31 per cent; toys, in 22 per cent; greeting cards, in 18 per cent; phonograph records, in 15 per cent; electrical appliances, in 12 per cent; and work clothes, in 4 per cent. Nylon stockings are offered by 28 per cent of supermarkets and children's socks by 22 per cent; but only 15 per cent carry socks for men.

NEW LIGHT ON FAMILY INCOMES

ECONOMISTS AND market researchers know that if you divide the U. S. population into fifths according to family income and compare the income of the various fifths over a period of time—say, between 1940 and 1950—you will find that the lower fifths are getting a greater share of the national income than they used to. Equally significant for the marketer, these *quintiles*, as the statisticians call them, actually consist of different kinds of families.

Income Distribution in the United States, a new Department of Commerce report which is probably the most accurate of its kind to date, shows that in 1950 families and unattached individuals had a gross income of $217 billion. This represents a 4½ per cent annual increase in dollars and a 1½ per cent increase per year in real income per family since 1929.

Here is the way the quintiles broke down in 1950:

Quintile	*Annual Income*
Lowest	Below $1,800
Second	$1,800-$3,000
Third	$3,000-$4,200
Fourth	$4,200-$6,000
Highest	$6,000 and up

Between 1944 and 1950, the average income of families in the lowest quintile increased from $882 to $1,080, while the increase in the highest quintile went from $8,272 to $10,197. The increase was proportionate right down the line.

The fat of the market, it is often assumed, is somewhere north of the middle of this distribution, among the families above the $4,000 level. There is more than a germ of truth in this, no doubt, but the Commerce study brings out some qualifying facts of immediate significance to marketers.

For example, who are those people in the low-income quintiles? Are they the failures, the incompetents, the shiftless and broken? Far from it; actually, they include:

A high percentage of farm families. Thirty-six per cent of farm operator families report under $2,000 of income, as compared with 14 per cent of non-farm families. But farm income and living standards are understated by such a comparison: income in kind is estimated at farm rather than retail levels, and consumption patterns are different.

A high percentage of the unmarried. Sixty per cent of unattached individuals report under $2,000. Many of these are young people just starting to work, whose economic prospects are bright.

A high percentage of couples married during the year. Their income as family income is only a part-year figure and therefore substantially understates their real level.

A high percentage of retired people. Many of these are spending more than their income, since they are drawing on savings and pensions.

A certain percentage of business and farm proprietors who showed a loss for the year in question (which will be balanced by a profit in another year).

Comparing the income figures with population data gathered by the Census Bureau, you find that age is a half-hidden factor operating strongly through the income scale. The average age of the head of the family rises with income. This is clearly evident in the three upper quintiles, climbing from 41 to 47; then it breaks up and becomes disguised

as older people retire with lower income and drop to the lower brackets. The early-fortyishness of the middle income group is reflected clearly by the fact that 62.8 per cent of the families in this group have children under 18.

On the other hand, the number of persons per family rises steadily with income. Starting at 3.29 persons in the lowest quintile, it reaches 3.94 in the highest quintile—a phenomenon that is taken as an indication that families are generally planning births in relation to what they can afford.

One other factor rises steadily with income—the number of earners in the family. On an average, there is hardly more than one breadwinner in each lowest-quintile family, but highest-quintile families have two earners. Mothers who return to work as their children mature are only one factor in this trend.

—RICHARD Y. GILES. *Printer's Ink*, November 20, 1953, p. 50:2.

Also Recommended • • •

THE FABULOUS MARKET FOR FOOD. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), October, 1953. $1.25. The vast expansion of the American middle class in the $4,000 to $7,500 income group has resulted in a tripling of the country's food expenditures since 1941 and has increased the share of income spent for food, this article points out. Moreover, as the over-$4,000 consumers—who demand convenience items—have upped their food spending almost 60 per cent since 1947, frozen foods have cut into the market for canned goods.

I RUN A DEPARTMENT STORE WITHOUT CLERKS. By Albert M. Greenfield. *Nation's Business* (U. S. Chamber Building, Washington 6, D. C.), October, 1953, 60 cents. Among the advantages cited here for self-service department stores are: lower labor costs (cut to 13 per cent of net sales at Hearn's, New York); more efficient use of space; and lower merchandise mark-ups (which, the author claims, can be trimmed to 26 to 29 per cent). While business has a responsibility to its employees, the author states it has a deeper obligation to society to provide better, cheaper goods—an objective which self-selection merchandising promotes.

NEW WRINKLE IN COMPENSATION: "SELF-DETERMINED SALARY." *Sales Management* (386 Fourth Avenue, New York 16, New York), Volume 71, No. 1, Part I. 50 cents. How a seed packer stabilizes the monthly income of his sales force for 12-month periods, provides incentive for increased effort, and brings automatic raises to salesmen who earn them. Under the method described here, each salesman's sales volume, new business, success in reaching pre-determined quotas, diligence, and cooperation determine what his new year's pay will be. A performance bonus arrangement helps compensate new salesmen who do an outstanding job in poor territories and who might otherwise suffer a disadvantage under a compensation system based on sales alone.

SELLING CAREERS IN INDUSTRIAL SUPPLY FIELD IS NEW JOB FOR DISTRIBUTORS. By Jack Wertis. *Industrial Distribution* (330 West 42 Street, New York 36, N. Y.), October, 1953. 50 cents. Quadrupling of the industry since the war and increased competition for personnel are forcing industrial distributors to view their recruitment practices critically and to tell students of vocational opportunities in the field. In addition to a detailed description of what the industrial distributor does, this article contains examples of three different recruitment devices—the booklet, the panel discussion, and the television program.

WILL "AUTOMATIC FACTORIES" AFFECT FUTURE MARKETS? EXECUTIVES DISAGREE. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), November, 1953. 25 cents. Officials of the Ford Motor Company and the Lincoln Engineering Company observe in this survey of opinion that they constantly find evidence of progress toward automation, while representatives of four other companies—in the fields of volume pumps, machine tools, home appliances, and fibres—state that automation is either impractical or a long way off. The fibre company spokesman states, however, that should complete automation materialize, it would increase demand for his product from almost every segment of American industry.

Financial Management

CAPITAL SPENDING: ANOTHER BIG YEAR AHEAD?

After their biggest year ever for capital spending, business men plan to keep their investment high again in 1954. In fact, if they stick to present plans, the year 1954 will be a close runner-up to its record-breaking predecessor. Planned expansion and modernization by all segments of business will miss the 1953 record by only 4 per cent, according to a preliminary survey of spending plans by the McGraw-Hill Department of Economics.

The total for all manufacturing industries is down about 8 per cent; mining and utilities expect to spend about the same; transportation plans to spend less than in 1953; commercial trades and services, more than in 1953.

These figures put one powerful prop under the business outlook for 1954. They mean that as business men plan now, the all-important heavy industries will run at a very high level through the next year. True, these are only expectations—but across the country leading companies are backing up these estimates with hard money. Two factors, moreover, lend support to the prediction of high spending—past performance and profits. Over the years, business men have consistently invested more for new plants and equipment than they planned to. And, with profits at a record—or almost a record—this year, business will have much of the money it needs to keep its investment high.

But capital spending is, of course, bound to be tempered by the weather business runs into next year. And many a business man, adding up the omens, sees some decline ahead.

So the prediction of high investment in 1954 would appear to run head-on into a spreading feeling that general business will taper next year. This, however, is not so contradictory as it may seem, for many companies find it pays to invest more to cut costs or to bring out a new model. If, on the other hand, the buyers of consumer goods turn out to be less jittery than the buyers of capital goods seem to be, some of the investment may be held up.

The chief support for capital spending comes from the larger companies. With few exceptions, big companies have stuck to the plans they reported to McGraw-Hill a year ago. As was the case a year ago, small companies generally report plans for less spending than before.

There's a coincidence in this year's preliminary report on manufacturers' spending plans: Once again, the companies are planning to spend 8 per cent less than the year before. The manufacturers who reported last fall on a scheduled 8 per cent drop in 1953 went on to spend more on plant and equipment than they ever had before. Question: Will they repeat?

The main reason for high-level capital spending in 1954 comes clear in reports from companies: diversification of product lines to compete in a tougher market. That's where the big companies,

particularly, run up their planned spending. They are planning to bring out new products, to acquire other lines with good growth prospects. Either way, they figure on expanding production. Big companies are also better prepared to modernize their plants in order to cut production costs.

—*Business Week*, November 7, 1953, p. 27:3.

What's Happening to Top Management's Pay?

THE AVERAGE high-ranking business executive last year did little more than hold his own in terms of compensation, according to AMA's fourth annual survey of executive compensation.

In 1952, the report shows, the compensation level of top executives on the average increased less than one per cent over the previous year. In contrast, gross average weekly earnings of production workers in manufacturing industries for the calendar year 1952 were 7.4 per cent above those of 1951. (The latter figure, taken from Bureau of Labor Statistics reports, does not include so-called "fringe" benefits; while the AMA figure for top executives represents total compensation, including salaries, bonuses, and company contributions to retirement funds.)

The study is based on an analysis of payments to almost 15,000 executives in 1,868 companies, which are classified into 50 major industries and have annual sales ranging from less than $2 million to more than $1 billion.

Executives made less progress last year than they have made in some of the past years in which their compensation has been studied by the AMA's Executive Compensation Service. The average increase in top executive compensation in 1951 over 1950 was 5.4 per cent; in 1950 over 1949, 10.3 per cent.

The reported trend in "average" compensation is not necessarily indicative of what happened in specific companies or industries, since executives' pay was directly related to their companies' sales and profits. Increases in total compensation were as high as 6 to 8 per cent in some industries, while in others total compensation declined as much as 7 per cent.

Salaries, as distinct from total compensation, of top executives rose less than 4 per cent in fiscal 1952-53, as against almost 7 per cent in the previous year. Reflecting a decline in profits, amounts paid as bonuses to top corporate executives went down by 11.7 per cent. Company contributions to retirement funds, which had been increasing steadily for the past several years, declined by 3 per cent.

The influence these "fringes" exert on total compensation is indicated by the fact, reported in the survey, that bonus payments were equal to 43.6 per cent of the salaries paid, while retirement contributions were equal to 13 per cent of salaries.

Subscriptions to the AMA Executive Compensation Service are available to presidents of AMA member companies and to association members directly responsible for the administration of high-level compensation.

SHOULD INDUSTRIAL EQUIPMENT be amortized more quickly? Of 141 companies replying in a recent *Mill & Factory* survey, practically all—95 per cent—believe that present tax laws should be modified to allow manufacturers to amortize equipment costs in less time than is now permitted. The minimum period felt desirable by 56 per cent of the firms was five years. Seven years was suggested by 12 per cent, and 29 per cent believed 10 years would be satisfactory.

PROS AND CONS OF EMPLOYEE STOCK-PURCHASE PLANS

"SELLING COMPANY stock to employees creates more problems than it solves," says the president of a company making radio and television sets.

"Our employee stock-purchase plan promotes thrift and an understanding of how our business is financed. It gives our workers a sense of identification with the company," says the vice president in charge of personnel of a public utility.

Depending upon the nature of your business, one of these views makes sense for your company.

Companies operating stock-purchase plans for their workers feel that giving the employee equity in the company he works for makes him feel a part of the enterprise; ownership increases his interest in the welfare of the firm, and a better understanding of its policies results.

Advocates of employee stock purchasing feel, too, that it affords an excellent supplement to existing pension or retirement plans. Since stock values normally rise with the cost of living, they act as a hedge against inflation. Further, the plans encourage employee thrift. Dividends are greater than for more conservative investments, and the worker will hold on to securities for a longer period.

Among the other advantages claimed for stock-purchase plans are these:

1. They offer management a means of explaining to workers how our economic system works, and the place of the small investor in that system.

2. They duplicate the restricted stock-option plans offered to executive and supervisory personnel.

3. Wider stock ownership is good for business. It means greater permanence of management and narrower price fluctuations.

The most frequently voiced objection to stock-purchase plans stems from the tendency of common stock to fluctuate with market conditions. If the stock falls after it has been purchased, the employee may become resentful and blame management for bad counseling. On the other hand, if the stock skyrockets, he may sell out. Although he might feel thankful to his employer for the windfall, he no longer retains an equity—which was the reason for selling him the stock in the first place.

Some corporate managements feel the small amount of stock an employee is able to buy doesn't really give him a feeling of ownership and control of company policy.

It is argued, too, that putting a portion of savings into the stock of the company one works for may be an unwise concentration of risk. Some managements believe that the average worker should be encouraged to place his savings in a more conservative commitment than stocks. Other objections to stock plans include:

1. Employees are not financially sophisticated. Management must educate them before it can undertake to sell shares.
2. If an employee needs cash in a hurry, it may not be easy for him to sell his stock without red tape and without a loss.
3. The memory of management's awkward position in the early 1930's, after the stock market crash, is a deterrent to installing new plans now.

nection, most plans call for the issuance of treasury stock, so that the price can be controlled.

The number of shares employees can purchase in any one issue should be limited. By tying the number of shares which can be bought to annual salary, for instance, you will avoid undue burdens on moderate salaries.

Leave the employee free to make up his mind on participation. Do what you can to explain the features of the plan and answer all questions, but do not exert pressure. If an employee feels distrustful in spite of your educational efforts, he is probably better off not owning stock.

As a final consideration, obtain competent legal and financial advice. Clear your plan with the Bureau of Internal Revenue and state and local tax authorities, before going ahead.

Obviously, generalizations on the advisability of establishing a stock purchase plan are of little or no value. Conditions within a company and the provisions of individual plans in large measure, determine success or failure. However, some precautionary areas can be staked out:

If your plan is to be successful, your company's stock should be a desirable investment. At the time stock is sold, stable earnings and fairly constant price should be expected in the foreseeable future.

Try to incorporate installment buying —perhaps over a two- to three-year period. Employees should be free to withdraw from the plan during the installment period, before the stock is actually issued.

Stock should be priced below market level, offered as a bargain. In this con-

—IRVING SMITH KOGAN. *Management Methods*, October, 1953, p. 12:2.

Pitfalls in Profit-Sharing

WHY DO SOME employers set up profit-sharing programs, only to abandon them later? Some of the major reasons emerge from a recent study by the Profit Sharing Research Foundation. These are of interest both to companies with "going" plans and those considering profit-sharing programs. They should by no means suggest, however, that profit-sharing is unduly fraught with obstacles. As a matter of fact, the Foundation points out that only 1 per cent of active profit-sharing plans are being discontinued each year.

Although the number of companies that have been unable to make a go of profit-sharing is small, their experience is nevertheless valuable to other employers. Based on information offered by employers whose profit-sharing programs fell by the wayside, these guiding principles are set forth by the Foundation: (1) Profit-sharing payments should not be used to offset substandard wages or working conditions; (2) it's usually a bad move to invest the resources of the profit-sharing trust solely or largely in company stock; and (3) especially in unionized plants, employees may prefer relatively small assured benefits to possible larger rewards unless they are impressed with their common interest with the employer.

The study shows, however, that the most common reasons for ending a plan reflect outside business conditions rather than weaknesses in the plans themselves. The most frequent explanation given by employers who have dropped their plans is that profits were too small or the company wasn't realizing any profits at all (many of the plans included in the survey were dropped during the depression years of the early 30's).

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 10/15/53

Budgeting Without Fear

COMPANIES ARE drawing up tight budgets for the coming year with confidence that the economy isn't going to make any sharp turns, a recent survey by *Business Week* shows. Generally, it appears, business men are planning on a general decline in business volume for the other fellow—but the great majority expect their own sales to hold up. They expect profits during 1954 to be at least as good as in 1953. Even if sales should slip, they count on tax cuts and tighter cost control to underwrite their profits.

A typical prognosis for 1954 is that the first half will be down in business activity, the last half equally up. Thus, the year would wind up within a few percentage points of 1953, by this reckoning.

Of the companies queried, 80 per cent are estimating sales income at least as great as in 1953. Exactly half of these companies anticipate an increase in volume of 5 per cent to 15 per cent. About 17.5 per cent are planning on the basis of a 1 per cent to 5 per cent drop in volume; 2.5 per cent expect a larger decrease.

There's a paradox in the crystal-gazing of the 80 per cent who are confident of no decline in their own business volume: Almost unanimously they predict declines in the national economy and in their industries as a whole. For example, one company foresees a 10 per cent drop in its industry's sales, but a 15 per cent increase in its own. A big chemical company, whose budget has never been off by more than 2 per cent in the past 12 years, is counting on an increase in sales while it expects business in general to fall off by 10 per cent.

A typical report came from Houston: "The companies I talked to figure that even if a recession starts next year they won't be squeezed very much. They feel they have trimmed their sails in the last few years and shouldn't get hurt as much as the next guy. The next guy, of course, is their competitor, who hasn't been handling himself so smart in the past."

Budget makers see some help ahead from tax cuts. However, nearly all are budgeting on present corporation tax rates, and less than half are paying excess profits taxes, due to expire at the end of this year.

—*Business Week* 10/31/53

Net Assets: $641 Billion

HOW MUCH MONEY are Americans worth?

According to the Federal Reserve Board, U. S. citizens have total assets of $725 billion and debts of $84 billion—or a net worth of $641 billion.

Where are all the assets? Most are in business and investments ($328 billion), with consumer goods next ($258 billion) and fixed-value assets—liquid savings, government securities—of $109 billion.

Nearly half of our 54 million families are worth more than $5,000. About one-tenth are worth $25,000 or more, while another tenth have more debts than assets.

The median net worth of consumers ranges from $1,300 for those making less than $3,000 a year to $10,300 for those in the $5,000-plus bracket. The highest median net worth ($15,000) is reported among business men and farm operators.

—*Nation's Business* 11/53

THE GOVERNMENT is making cheaper money (is it possible?) by eliminating money-makers. Double talk? Maybe, but it goes this way: The Treasury Bureau has developed a new green ink for currency that dries so fast it is not necessary to insert tissues between sheets of newly-printed bills. This will cut out 300 jobs, save the taxpayers $1 million a year.

—*Convoys*

Also Recommended • • •

THE GREATEST CHALLENGE. By Rowland R. Hughes. *Tax Review* (Tax Foundation, 30 Rockefeller Plaza, New York 20, N. Y.), November, 1953. Single copies gratis. The 1955 budget—the first over which the Eisenhower administration will have substantial control—will be out of balance by $3.8 billion, despite a $6.5 billion reduction in 1954, says the Deputy Director of the Budget. He predicts, however, that teamwork among the Administration, Congress, and the public can achieve progress toward bringing the budget into line and simultaneously strengthening the national security forces—despite what he terms an "aggressive, well-organized, and persistent" campaign to defeat this objective.

NINE WAYS TO FASTER CONTRACT TERMINATION. By Robert O. Jaynes. *Steel* (Penton Building, Cleveland 13, Ohio), November 9, 1953. 50 cents. Successful termination hinges basically on whether the contractor has at hand the proper accounting and inventory records so that he can tell at any moment what his inventory and cost picture is, this writer states. Among his other eight suggestions for speeding termination: Assign responsibility for termination to one person when receiving a government contract.

CAN BUSINESS CHECK AN ECONOMIC SLUMP? By Sumner H. Slichter. *Commerce* (1 North LaSalle Street, Chicago 2, Ill.), November, 1953. 35 cents. Recession can be avoided, the author believes, if business can persuade consumers to cut personal savings by $5 billion a year and to increase purchases by an equal amount; and if it can either maintain outlays on plant and equipment at about present levels or increase dividends. To fight economic contraction the government should rely more heavily on fiscal policy—tax cuts or increases in spending—than on credit policy, he states.

COMING . . . DEPRECIATION REFORM. *Steel* (Penton Building, Cleveland 13, Ohio), November 2, 1953. 50 cents. Discusses the need for shortening the amortization period for industrial equipment and the possibilities of action in four areas: administrative reform by the Internal Revenue Service; legislative reform by Congress; changes in state laws; and reform of some industry practices. A quiz, "How's Your I.Q. on Depreciation?", is included with the article.

SHALL WE LEASE OR BUY EQUIPMENT? By I. Wayne Keller. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), September, 1953. 75 cents. This article aims to show how to evaluate the advantages and disadvantages of both buying and leasing equipment rather than to recommend either arrangement for a particular firm. In three case studies, the writer determines the cost advantage of leasing by studying the relative intensity of use of the item under consideration and by weighing its purchase price against potential operating economies that would result from ownership.

IMPORTS ARE VITAL TO YOU. By Herbert Harris. *Nation's Business* (U. S. Chamber Building, Washington 6, D. C.), October, 1953. 60 cents. American taxpayers forfeited $80 billion between 1914 and 1950 by subsidizing the recurrent excess of exports over imports by means of gifts, grants, and loans to other countries, this author states. Increasingly, he asserts, our production processes and way of life will depend on imports of such items as tin, rubber, manganese, lead, copper, coffee, newsprint, and oil.

CURRENCY CONVERTIBILITY—NOW. By Michael A. Heilperin. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), September, 1953. $1.25. The author makes a convincing case for the return to full convertibility of currency, whereby the free world's business men could convert francs into pounds into marks into dollars, etc., and thus spend and invest their money wherever they wish without first obtaining official government license. Discusses the practical requirements for such a change in international monetary policy and the far-reaching economic benefits that would be realized both at home and abroad from the revival of multi-lateral trade.

DEFENSE CONTRACT TERMINATION. By John L. Kent. *Commerce* (1 North LaSalle Street, Chicago 2, Ill.), November, 1953. 35 cents. Outlines the steps involved in the termination of a war contract by the government, and describes some difficulties and red tape resulting from this procedure. According to the author, some experts recommend reestablishment of the World War II practice of allowing partial payments to be made to contractors at more frequent intervals, to enable firms to do business with the government more easily.

Insurance Management

COMPREHENSIVE HEALTH COVERAGE: ONE COMPANY'S PROGRAM

THE OHIO OIL COMPANY is a medium-size company with over 6,000 employees, who are located in 24 different states and Canada. Their average age is approximately 41; over 90 per cent are men. We estimate that 75 per cent of employees who attain five years of service remain with us for 20 years.

The company maintains a rather well-rounded program of employee benefit plans. Beginning in 1933 with a group life insurance plan, it added in the course of time a group annuity plan, an accident and sick benefit plan, a group hospitalization plan, and, as of November, 1953, a thrift plan. Participation in these contributory plans is entirely voluntary on the employees' part. The plans are extended on a uniform basis to all employees—supervisors, salaried employees, and wage earners.

Our first medical and hospital plan, adopted in 1940, provided hospital and surgical benefits for employees and only hospital benefits for dependents. Since that time we have continuously appraised our program and, as we gained experience with the plan, introduced liberalizing amendments. These have included extended insurance benefits to pay for pregnancy claims to dependents of employees who had left our employment within the preceding nine months; an increase in daily hospital benefits, with a corresponding increase in the allowance for hospital extras; surgical coverage for dependents; an increase of benefits in pregnancy cases; etc.

By 1952 we realized that a patchwork method of improving our plan was not enough, and we began extensive studies toward a major revision of the program.

We maintain an individual tabulating card recording the actual charges to our group in each case of hospitalization and medical care giving rise to benefits under the plan. We found that our employees wanted more adequate coverage and, being familiar with the cost of this protection, they expressed a continued willingness to increase their contributions.

Regular monthly meetings are held throughout our company for all "field" employees; through these regular meetings our personnel representatives are continuously able to learn the attitude of the employees. These meetings, together with our statistical studies, have resulted in a program which is extremely popular with our workers. As evidence of this, all but one of our employees have signed for participation in the new plan.

Basically, our plan is a simple one. The employee or his dependents receive full payment for the first $100 of their hospital expense, regardless of the segregation of this expense between room and board charge and hospital "extras." All expenses incurred over $100 are shared by the plan and the employee under a coinsurance arrangement, with the plan paying 75 per cent and the employee

25 per cent to a maximum benefit of $2,000.

Both employees and their dependents are reimbursed for surgeons' fees under a standard $240-maximum schedule. Non-surgical cases in the hospital receive an allowance toward their doctors' bills equal to $3.00 times the number of days of hospital confinement, to a maximum of $150.00. The cost to the employee is $1.25 per month; for an additional $2.25, or a total of $3.50 per month, an employee and his dependents may participate. All illnesses receive equal treatment under the plan because we feel it is the expense of the illness, not the nature of the diagnosis, that is important to the employee.

We believe that the coinsurance arrangement with regard to hospital reimbursement results in the greatest protection at the lowest cost to the participants and the company.

One of the most important influences on the operation of our plan is that of administration. Our plan is self-administered; that is, we maintain our own record of participants and pay our own claims under a draft-book system. Trained personnel men throughout all our field areas are personally acquainted with the employees, the hospitals and the doctors. These men can promptly investigate a claim, determine the amount payable, and personally deliver the benefit check.

Our new plan has not yet been in effect for an entire year. We estimate, however, that the company's share of the aggregate cost of the plan for both employees' and dependents' coverage will be approximately 50 to 60 per cent. During the first eight months of this year our plan paid 89 per cent of the actual charges to more than 2,200 individuals hospitalized. In a number of cases, benefits have been paid in excess of $1,000.

—George K. Barrett. *The Spectator*, December, 1953, p. 30:5.

Health Insurance Benefits—$2 Billion Worth

Cash benefits flowing from voluntary health protection totaled more than $2 billion in 1952, the Health Insurance Council has reported. About half this amount went to help meet the cost of hospitalization, and over $500 million more went towards operations and doctors' bills. The remaining half-billion represented benefit payments by insurance companies replacing income lost due to accident or sickness.

More people than ever before were protected last year against hospital and surgical expenses. The number of persons protected against loss of income due to disability also reached a new high mark—over 38 million. The year likewise saw increasing public acceptance of major medical expense coverage, the new form of voluntary health protection, which takes up where the customary forms of health protection generally leave off and is designed to help meet the catastrophic costs of very serious illness. Nearly 700,000 persons had this form of protection at the end of last year.

Reinsurance of U. S. risks netted $52.2 million in foreign dollar receipts last year, according to the Department of Commerce. American insurance companies paid premiums of $152.9 million to foreign reinsurers and recovered $100.7 million on losses. The net is an increase of 29 per cent over the previous year.

NEW DEVELOPMENTS IN PENSIONS AND INSURANCE

For hundreds of companies, 1954 will be a year of pension and insurance decision. When union contracts are reopened, a major demand is likely to be for pensions which meet changing times better than a fixed number of dollars per month; moreover, unions will be asking for more inclusive medical benefits and other insurance. Advance study by management of new developments in these fields may well pay off when bargaining-time comes.

A significant recent development in pensions is the variable annuity plan, which attempts to eliminate a basic weakness of pensions plans: pension payments of dollars rather than buying power.

One approach to this problem is to relate some part of the pension benefits to the changing values of securities held in a pension fund. The underlying principle is that equity investments have generally followed a long-range cost-of-living index. If they continue to do so, an equities fund would provide a built-in inflationary hedge of total dollar benefits for retiring employees.

The general procedure in a plan of this type is to provide the usual standard guaranteed-dollar program as a base plan and supplement that with a variable annuity plan. The variable annuity portion of the plan may receive perhaps as much as one-half or one-third of the total money deposited in the two plans. Employees participate in the variable annuity portion of the plan by shares of the equities fund, each share having a value that changes in direct relationship to the changes in the total assets value of the fund. Fund values are the current market values of the equity securities, plus any other assets. An employee, when retired, receives in addition to his basic fixed dollar pension a lifetime pension of benefits accruing from his shares in the supplemental plan.

In the postwar years there has been a resurgence of interest in profit-sharing pension plans, especially those involving deferred payments. In a deferred profit-sharing fund, payments are made by the company only in years in which the company has profits. Normally, the higher the profits, the larger the contributions and the larger the proportionate tax credit, thus producing a lesser net cost to the company per dollar of pension benefit granted.

Here again, a combination plan is feasible. The basic plan is a standard pension plan, supplemented by a deferred profit-sharing plan in the hope that it will ultimately provide a substantial portion of the total pension benefits. It is also possible to employ the variable-annuity concept in a profit-sharing plan by investing some portion of the profit-sharing fund in equity investments. As of June 30, 1953, the Treasury Department had approved approximately 5,500 pension plans with profit-sharing features, and several hundred more are awaiting approval.

In many companies, immediate financial gain has resulted from the adoption of a retirement plan. One company with 2,500 employees adopted a retirement plan and retired 37 employees. From those 37 retirements came 220 promotions. Not all of the 37 employees retired needed replacing, and the new payroll plus the pension paid to the men retired was less than the old payroll.

Labor demands are likely for the extension of medical insurance beyond the usual limits of the common hospital, sur-

gical and medical plans. Catastrophic medical insurance, also known as major medical expense insurance, may be the answer. Plans of this type sometimes require the employee to pay the full cost of his coverage, which may amount to somewhere between $1 and $5 a month; in other cases, the company and the employees jointly finance the benefits. Coverage is usually for some percentage of costs after the employee has assumed a "deductible cost" of $100 or $200. Protection is usually afforded to a maximum of several thousand dollars.

Many companies today offer their employees group insurance, the majority on a one-year term basis. Such a plan has two disadvantages: No values are available to an employee as a result of his years of participation when he terminates employment or retires; and a difficult cost problem faces the employer who may want to consider continuation of some group insurance on his pensioners.

A group paid-up insurance plan is tailor-made for those two problems. Under such a plan there are insurance and cash values available to an employee on termination of retirement. Because the insurance for the pensioner is purchased prior to his retirement, there are no costs for continued coverage afterwards.

Such a plan usually involves employee contributions, which are guaranteed to be returned on request to the employee in the event of termination of employment.

—Charles D. Root, Jr. *Steel*, October 5, 1953, p. 58:2.

Also Recommended • • •

DEPRECIATION AND PARTIAL LOSSES. By Wilfred G. Howland. *Best's Fire and Casualty News* (75 Fulton Street, New York 38, N. Y.), November, 1953. 50 cents. An analysis of several court decisions bearing on the question of whether depreciation should be taken into account in the adjustment of a partial fire loss—*i.e.*, whether the insured is entitled to recover the full replacement cost or merely the value at the time of loss. The latter view has prevailed in the majority of relevant court decisions and is strongly defended by the author of this article, who asserts that to ignore the depreciation factor is to deny the basic indemnity principle of insurance.

BUSINESS INTERRUPTION INSURANCE, PROTECTION OF PROSPECTIVE EARNINGS, INDUSTRY LIFE BLOOD. By Nicholas Dekker. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), October 31, 1953. 25 cents. Pointing out that in many instances business interruption insurance may be actually more important to a company than direct damage cover, the author explains the difference between the two basic forms of business interruption insurance—gross earnings and two-item contribution—and discusses the factors which should be considered in determining which is more suitable for a given company. Among the advantages of the gross earnings form, he states, is its flexibility with respect to recovery in cases of brief business suspensions

ACCIDENT AND HEALTH COVERAGE IN THE UNITED STATES. Health Insurance Council (488 Madison Avenue, New York 22, N. Y.), September, 1953. This report of nine associations in the insurance field traces the spectacular growth of voluntary health protection in the United States in recent years. Nearly three out of five persons are now protected against the cost of hospital care, for example; for the second largest form of protection—surgical insurance—the increase in coverage during 1952 was more than 7.5 million persons, or 12 per cent.

HOW TO PREVENT PLANT FIRES. By G. E. Stecher. *The Iron Age* (100 East 42 Street, New York 17, N. Y.), October 1, 1953. 35 cents. Planning and analyzing hazards can minimize fire danger to industry, this article—which contains special advice for the metalworking trades—points out. It outlines a procedure to follow, and counsels employers to learn how to report a fire should one occur.

Survey of Books for Executives

MANUFACTURING MANAGEMENT. By Franklin G. Moore. Richard D. Irwin, Inc., Homewood, Illinois, 1953. 832 pages. $8.00.

Reviewed by Joseph M. Trickett*

It is refreshing to find a book bearing a title that indicates particular attention to a functional area of management and to have the author state that he intends to restrict the material to that area. Most of the texts on industrial management purport to cover primarily the problems of production or manufacturing, and then attempt to cover most of the functions of business. Dr. Moore, who is Professor of Industrial Management at Northwestern University, admits that all manufacturing companies must be concerned with marketing and financing (among other functions), and states that "this text deals only with manufacturing management and with those activities closely related to it."

This volume was obviously prepared primarily as a college textbook. Pertinent questions follow each of the 38 chapters; there are 40 brief "case problems" and a rather extensive and somewhat general bibliography. The book may, however, have immediate value to business management as a reference and case book for supervisory development groups. This reviewer has proposed the use of *Manufacturing Management* in foreman training groups and finds parts of it of definite value. Most of the cases are amenable to the type of "conference" treatment which such management groups require.

The chief criticism of *Manufacturing Management* is that it is just "too much book"—either for use within business or in the college classroom. This work, as presently organized, would make two excellent and complementary volumes. The more important volume would consider those items which are germane to manufacturing itself—products and their development; product and production engineering; production facilities and their use (from plant location to equipment maintenance); materials, production, and quality control; cost and other controls; and matters particularly affecting manufacturing employees (e.g., safety). An additional volume (or volumes) could cover the history and development of modern industry, the story of "scientific management", the theory and practice of organization and administration, general personnel administration, etc.

There has been a tendency, of recent years, for authors of books similar to this one to try to cram virtually the whole of business management into one volume. This poses a serious problem to the users of such books who must literally pick and choose from within the work—thereby vitiating whatever organization and sequence of material the author has worked out. This pertains to the use of such books in industry, as well as to their use in schools of business. Even as a college text, *Manufacturing Management* will be hard to fit into some curricula, for it will overlap several other courses. Obviously, for example, the author could cover only very lightly the theory and practice of organization and administration—but this is the subject matter for a specialized course. Likewise, wage and salary administration, job evaluation, and time and motion study are in themselves detailed and specialized aspects of business administration. In the opinion of this reviewer, they should either be omitted entirely from a book on "manufacturing management" or, at best, covered very briefly in connection with the chief problems of planning, designing, and making a product.

Dr. Moore reflects a point of view which this reviewer considers to be of extreme importance—the real primacy of the manufac-

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turing function in business[1]—yet he clouds the issue by ringing in such a variety of subsidiary topics. Handled in an excellent manner are the chief aspects of manufacturing management: Plant Location; Factory Buildings and Services; Equipment; Layout; Transportation and Materials Handling; Maintenance; and Research and Development. Also, the chapters on Quality, Materials, and Production Control are well organized and reflect the latest in industrial thinking and practice.

Through all these steps of the production process, of course, runs the thread of human relations. It would seem that human relations problems could be treated in a text of this kind as they arise in the author's discussion of the various aspects of manufacturing management.

And yet the student of organization and administration and the personnel specialist must reject some of the thoughts expressed in connection with these fields—this being the inevitable result of a necessarily cursory treatment of such matters in a text devoted primarily to manufacturing problems. For example, "The principal reason for limiting the number of subordinates reporting to an executive is to free him from excessive supervision," is not necessarily false—but it is incomplete and therefore may be misleading. And, "The acid test of authority is the right to discharge a subordinate," will raise some objections in the minds of those who are careful students of authority in group situations. These are but minor flaws which would not pertain if the problems of general administration and the details of personnel administration, office management, etc., were left to their respective volumes (and courses!) where they can receive the thorough and intensive treatment which they require.

[1] See "Organizational and Personnel Problems of the Manufacturing Executive," American Management Association, *Manufacturing Series No. 2[illegible]* (1953).

Briefer Book Notes

[Please order books directly from publishers]

GENERAL

APPLIED IMAGINATION. By Alex F. Osborn. Charles Scribner's Sons, New York, 1953. 317 pages. $3.75. The principles of creative thinking and ways to use imagination in personal and vocational life are given in this text, emphasizing problem-solving techniques which, utilized a few minutes a day, may expand an individual's skills and productivity. The author believes in the universality of some degree of creative potential, and in the ability of travel, personal contact, games, fine arts, reading, and writing to stimulate creativity. For the systematic use of imagination, however, he outlines a seven-step process and shows how to use it to produce ideas—many of them profitable business ideas. These steps (which, the author states, do not necessarily follow in a fixed sequence) are: 1) *orientation*, or pointing up the problem; 2) *preparation*, gathering pertinent data; 3) *analysis*—breaking down the relevant material; 4) *hypothesis*—piling up alternatives by way of ideas; 5) *incubation*—"letting up" to invite illumination; 6) *synthesis*—putting the pieces together; and 7) *verification*—judging the resultant ideas. Piling up hypotheses is probably the one indispensable part of any problem-solving project, says the author.

WORLD POPULATION AND PRODUCTION. By W. S. Woytinsky and E. S. Woytinsky. The Twentieth Century Fund, New York, 1953. 1,268 pages. $9.00 until January 1, 1954; thereafter, $12.00. The first of two volumes on world economic forces and trends, this extensive work measures the resources and the progress of mechanized civilization in all the countries

of the world. Its five sections cover: 1) Man and His Environment; 2) World Needs and Resources; 3) Agriculture; 4) Energy and Mining; and 5) Manufactures. Considerable attention is given to developments in the U.S.S.R. and its satellites. The work is prepared for continuous reading or for reference.

A POLICY FOR SCIENTIFIC AND PROFESSIONAL MANPOWER. National Manpower Council. Columbia University Press, New York, 1953. 263 pages. $4.50. This study is designed to help solve the problems posed by acute shortages of professional, scientific, and technical workers in civilian and defense activities. Part I presents recommendations for developing more reliable information about the nation's human resources, strengthening educational institutions, providing opportunities for gifted young people, and utilizing available manpower more effectively. The second part of the book is a comprehensive review of the data, compiled and evaluated with the help of noted specialists, on which the recommendations are based.

INDUSTRIAL RELATIONS

LESS GOVERNMENT IN LABOR-MANAGEMENT RELATIONS: AN ACHIEVABLE GOAL? Conference Proceedings, Labor Relations Council, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, 1953. $3.50. Underlying this interesting exchange of views on live labor issues is general agreement that less government intervention in industrial disputes, though desirable, is attainable only if both labor and management are willing and able to make collective bargaining work. The participants—experts from business, labor, universities, and federal and state mediation and conciliation agencies—review historical approaches to labor issues (such as the way various American presidents, from Rutherford Hayes on, have handled emergency strikes) and contribute some new commentaries on recent events (such as the 1952 steel strike). The general topics covered at the conference are: 1) the development of collective bargaining; 2) the role of mediation and conciliation; 3) modification of the Taft-Hartley Act; and (4) prospects for future industrial relations.

REHABILITATION OF THE OLDER WORKER. Edited by Wilma Donahue, James Rae, Jr., and Roger B. Berry. University of Michigan Press, Ann Arbor, Mich., 1953. 200 pages. $3.25. Presented here are speeches and discussion at the University of Michigan's fourth annual conference on aging. Attention is focused upon rehabilitation of older, handicapped workers as a means of increasing the supply of manpower to meet defense needs; upon the technical skills and scientific advances in the field; and upon future needs and objectives. The participants stressed the theme "All [workers] are needed," and pointed out that skills and community services are today available to restore the impaired to usefulness, but that public expenditures for this purpose must be considerably increased.

ATLANTIC STEEL COMPANY AND UNITED STEEL WORKERS OF AMERICA. By Glenn W. Gilman and James W. Sweeney. *Case Study No. 12, Causes of Industrial Peace.* National Planning Association, 1606 New Hampshire Avenue, Washington 9, D. C. 1953. 101 pages. $1.00. Observance of regional customs and traditional concepts of what is right and wrong in human relations has been the clue to industrial peace at Atlantic Steel Company, Atlanta, Ga., this report relates. The company's collective bargaining relationship with Local 2401, United Steel Workers, CIO, has produced the following benefits, according to the report: wages above the general area level; satisfactory fringe gains; marked increases in productivity and plant safety; decreased absenteeism and labor turnover; initiation of a highly successful joint training program. An unusual feature of the union contract stimulates prompt settlement of issues as they arise; throughout, the company and union consult on a wide range of subjects not usually considered part of the collective bargaining process.

MANUFACTURING

PROFITING FROM INDUSTRIAL STANDARDIZATION. By Benjamin Melnitsky. Conover-Mast Publications, Inc., New York, 1953. 381 pages. $5.50. Standards are "practicable, profit-provoking solutions to recurring problems," the author states. "Established tentatively, they are couched in objective terms and are based on the consent of those affected. They facilitate and often promote general use of the best thoughts and practices on a subject." Emphasizing the evolutionary nature of standardization, he describes in detail (and illustrates by numerous case studies) the savings that have been achieved in many areas through the development and application of standards. In addition, the book covers the history, current scope, development, distribution, and use of standardization in purchasing and other industrial operations. Individual chapters deal with sources of industry, national and government standards; company standards programs and departments; and specific problems of identification, classification, parts numbering, etc. A chapter on preparing company standards suggests ways to present them in printed form.

INDUSTRIAL SPECIFICATIONS. By E. H. Mac Niece. John Wiley & Sons, Inc., New York, 1953. 158 pages. $4.50. This analysis of the important part specifications play in statistical quality control and product development discusses methods of planning, writing, and issuing specifications for the various phases of industrial operations. It stresses the relation of technical and economic factors in manufacturing, buying, and selling and gives the essential requirements for raw material, process, and product specification.

FINANCE

INVESTMENT MANAGEMENT. By Harry C. Sauvain. Prentice-Hall, Inc., New York, 1953. 488 pages. $7.65. Designed to help the investor analyze his financial circumstances and needs and select a suitable investment portfolio, this guide examines the investment policy problems of both individuals and investing institutions; the types of corporate and government securities, security markets, and the distribution of securities; and methods of analyzing securities, interpreting their statistical records, and estimating their future. A chapter on portfolio management for profit points out that clear-cut policies to control the reaction of the investor to price fluctuations are a very important part of an investment program.

PENSIONS AND PROFIT SHARING. BNA Incorporated, Washington, D. C., 1953. 272 pages. $5.75. An expanded version of the *Handbook for Pension Planning* published by the Bureau of National Affairs, Inc., in 1949, this volume is designed to help the executive who is unacquainted with the technical vocabulary of the pension field reach decisions on pension coverage, benefits, financing arrangements, and administration. New experience in handling costs and administration, new methods of financing, changes in tax and social security laws, and the growing interest in deferred profit sharing and pensions as a means of improving human relations programs are taken into account.

TAX PLANNING FOR FOUNDATIONS AND CHARITABLE GIVING. By William J. Casey, J. K. Lasser, and Walter Lord. Business Reports, Inc., 1 Main Street, Roslyn, L. I., N. Y. 236 pages. $12.50. A complete guide to how foundations and contributions to charities can be used in financial planning. The first section covers what an individual needs to know to set up a foundation, operate it, and keep it within the tax laws. The second section covers legal and business questions affecting corporate giving. The third looks at the tax laws from the viewpoint of the charitable organization interested in raising funds and of the individual who wishes to deduct charitable contributions from his income tax. The study also suggests the non-tax advantages of foundations for corporations and individuals.

PROFIT ANALYSIS, DISTRIBUTION COSTS AND WORKING PAPERS. By Frederick M. Eisner. Published by the author, 70 Linda Avenue, White Plains, N. Y., 1953. 364 pages. $10.00. Dealing with a relatively neglected area of cost accounting, the author sets forth a method for analyzing distribution costs and assigning them to particular products, classes of customers, or outlets rather than lumping them together as fixed general selling and administrative expenses. The aim is to arrive at differentials in selling prices based on objective accounting procedures. A set of working papers is provided to show in detail how an audit is conducted and what procedures are followed to show unit costs of warehousing, stock handling, buying, receiving, delivery, sales promotion, selling, billing, accounting, and general administration.

ACCOUNTING SYSTEMS. By J. Brooks Heckert and Harry D. Kerrigan. The Ronald Press Company, New York, 1953. Revised edition. 663 pages. $7.00. Fundamentals of the design and installation of accounting systems, procedures, and methods are presented here in the sequence logically followed in building a system; and with considerable emphasis upon the accounting and statistical data required by management to plan, control, and coordinate business operations. The authors have extensively revised their original text.

MARKETING

HOW TO GET MORE BUSINESS BY TELEPHONE. By Jack Schwartz. The Business Bourse, 80 West 40 Street, New York, N. Y., 1953. 246 pages. $4.85. General standards of successful telephone salesmanship are combined with concrete advice on 'phone selling methods in the insurance, department store, financial, real estate, and wholesale fields. The author believes that telephone selling requires a higher type of salesmanship than is required for most personal selling; that it is a profession with special needs, advantages, and rewards; and that it should be remunerated with careful attention to the results desired.

NEIMAN-MARCUS, TEXAS. By Frank X. Tolbert. Henry Holt and Company, Inc., New York, 1953. 180 pages. $2.95. Anecdotes and superlatives stud this lively testimonial to the Neiman-Marcus department store of Dallas, its founders and staff, and its 100,000 charge customers. The store, which grosses $25 million a year, operates like a "super-fastidious newspaper," the author says, with all the merchandise carefully edited before the customer ever sees it.

INSURANCE

DISASTER ON YOUR DOORSTEP. By Paul W. Kearney. Harper and Brothers, New York, 1953. 210 pages. $3.00. Preventable fires cost over $750 million a year, and three-fourths of them occur in public buildings where the hazard to people is greatly increased. The author cites many specific cases to show that inadequate inspection, political corruption in the administration of fire departments, faulty building, obsolete equipment, and public apathy are the major causes of preventable fire loss.

EXAMINATION OF INSURANCE COMPANIES. Prepared under the direction of Deputy Superintendent Adelbert G. Straub, Jr. New York State Department of Insurance, 61 Broadway, New York, N. Y., 1953. Volumes 1 and 2. 571 and 787 pages. $15.00. The first volumes in a series of six, these sets of lectures provide a comprehensive picture of current theory and practice in the insurance business (Volume 1) and a description of how the business is regulated (Volume 2). The major classes of insurance are dealt with separately by officers of leading insurance companies. Volume 2, on the techniques and procedures used by the New York State Insurance Department in conducting examinations, is introduced by a history of the development of the examination function, together with a useful lecture on applied psychology.

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